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Item 4 (b) of the provisional agenda*
Economic statistics: measuring the new economy

Report of the Office for National Statistics of the United Kingdom

Note by the Secretary-General

The Secretary-General has the honour to transmit to the Statistical Commission a report prepared by the Office for National Statistics of the United Kingdom on a conference on the theme "Official statistics and the new economy" which was organized by the International Association for Official Statistics. The report contains a summary of the conclusions reached by the conference, which the Commission may wish to review.

* E/CN.3/2003/1.

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Conference on the theme "Official statistics and the new economy" organized by the International Association for Official Statistics

Report of the Office for National Statistics of the United Kingdom

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I. Introduction

1. The 2002 London conference of the International Association for Official Statistics (IAOS) has no official procedure for adopting or agreeing official conclusions of its work. However, the opportunity afforded by the wide range of papers and discussions at the conference — and the interaction between statisticians, economists, public policy makers and business leaders — is one that many participants found valuable. The conference raised important issues in response to:

- The growing interest in understanding changes brought about by information and communication technology (ICT) in economic activity and structure;
- The wide range of work under way in many organizations to improve that understanding.

2. We would like to build upon the papers and discussions to provide a suggested direction for future international action. The present report summarizes discussions in the closing session of the conference, inputs from delegates and key points from proceedings. The United Kingdom Office for National Statistics offers the report as a record of conclusions reached by official statisticians, economists and statistics users on the important challenges that the ICT revolution poses to their work to inform public policy and the private sector. The report also summarizes participants' views on the actions and priorities needed to bring about necessary change.

II. Scope

3. The conference theme, "Official statistics and the new economy", drew comment. Some felt that "new economy" measurement reflected too narrow an expression of the challenge facing statisticians and economists to reflect cross-cutting changes in the economy and in society brought about by the increasing role of ICT. Others considered it too wide a term, covering organizational and behavioural changes unrelated to ICT.

4. Frameworks presented at the conference described the knowledge-based economy and the information society. The conclusions contained in the present report address the interpretation of the term "new economy", embraced by both those concepts. However, they also cover issues raised which are outside that ICT-related definition, particularly those relating to output measurement in services, which are essentially "old economy" measurement problems exposed by changes in economic structure.

III. Main questions

5. The closing session of the conference tackled the need for change under four main headings:

(a) Do we need a new paradigm, or simply an updating and extension of existing national accounts and other statistics?

(b) What are leading issues in social statistics (education, labour, health, welfare etc.) to address as a result of the new economy?

(c) Are current arrangements underpinning the international statistics community adequate to push ahead with the new economy measurement agenda?

(d) What are the most important priorities for official statisticians to tackle now?

IV. A new paradigm

6. The world economy is becoming significantly more ICT-intensive, with major effects on other technology development fields (such as biotechnology or materials science) and with the impact of speeding up economic development processes. Companies and markets are more knowledge-intensive, leading to rapid change on a global scale. The information technology change has led to:

- Rapid expansion in the products and services available to consumers and businesses;
- Changes in the way consumers and businesses behave and interact.

7. The conference made it clear that there is an urgent need to update statistical measures to reflect the economy's changing structure. That need is especially pressing in the areas of services output and prices, which have traditionally been a "weak spot" in national accounts. Growth in services, to become a dominant element in many economies, has made agreed solutions even more urgent. This is not a new economy problem, but an old economy one, that the new economy debates about output measurement and pricing have exposed.

8. Similar but more complex statistical needs exist in significant areas of ICT-related capital formation, such as accounting for software, and the wider category of intangible assets, which clearly fall within any definition of the knowledge-based economy. Solutions to those needs raise additional measurement problems. For example, in intangibles there is major uncertainty and subjectivity concerning valuation methods. The question to be resolved is how far and how fast we can move, given the resource limits to implementation of any changes.

9. The need for a new paradigm for national accounts statistics is not yet proven, partly because there is no coherent new theory of how ICT has altered fundamental economic relationships within the economy. However, it has changed the behaviour of and interactions between economic agents.

10. ICT has also changed the economic characteristics of assets as inputs to productive processes. For example, the behaviour of knowledge as an asset that can gain value in use is very different from that of physical assets. The assessment of knowledge, learning and skills as assets is in most countries handicapped by the lack of data on skills and lifelong learning within firms. That statistical gap is now being filled by some national statistical offices.

11. Another area where new dimensions of measurement may be needed is in assessing the effects of the order of magnitude expansion in communication, since the "networked society" allows many more interactions — both social and economic — between individuals. There are areas in which work required to adapt existing economic measurement frameworks will be very substantial, but the required changes are updates and extensions rather than a completely new framework.

12. To achieve those changes and to understand business behaviour for policy purposes, there will be increasing demand for economic micro-data. The ability to relate business data sets to other sources and to link performance data to information on inputs will be important in meeting those challenges.

13. It has been argued that the scale of change needed in some areas does represent a new paradigm for measurement. In particular, for such services as health and education there is a need for radically new approaches since existing input-based measures fail to deliver policy-relevant information. National accounts statistics based on inputs are of limited value, and moves towards output — or even better outcome — measures are needed. Here, ICT should be part of the solution.

14. There are two areas in which new approaches are required in the assembly of data for official economic statistics. First, data collection must develop to reflect changes in business organization, new sources of data and best technology. Too few national statistical offices have yet made significant moves to help enterprises providing their raw material — data — in new ways that capitalize on firms' electronic data systems. Second, the global dimension of business operations is relatively new for national statisticians and demands a new paradigm for data collection. Current problems with measuring enterprises as national entities should be resolved through the active involvement of international organizations.

15. Outputs of the statistical process are affected too. ICT has brought a revolution in the customers of national statistical offices. They are now a more broadly based cross-section of society, e-enabled through the web. To that increasingly diffuse audience, national statistical offices deliver information depicting more complex economic and social structures. It is no longer enough to present raw unexplained data. Demands for explanation and meta-data that add context and value to data will grow, and strategies for dissemination will need to change as a result.

V. Leading issues in social statistics

16. In an economy driven by information and knowledge, ICT has social dimensions which must be recognized — in education, health, labour markets and elsewhere. It is the combination of access to information and knowledge that determines the ability of individuals to derive benefits from public services and to operate effectively in society, and those benefits need to be understood in terms of outcomes. Statisticians will need to be able to identify disadvantaged groups in both areas — the knowledge divide and the digital/access divide — to aid policy makers in tackling exclusion.

17. This will require initiatives by statisticians to:

- Take into account the cross-cutting nature of ICT, linking economic and social outcomes and recognizing its pervasive effects;
- Ensure coherence in data definitions and structures so as to enable links to be drawn between micro-data from different sources and provide understanding of the social effects of public policy and economic developments;
- Respond to demand for public sector service measures in terms of outcomes so as to provide relevant public sector delivery and productivity data.

18. The role of education and skills development in the labour force is a central element of measurement for the information society. Defining and measuring the growth of human capital is critical to understanding productivity and interpreting behaviour in the labour market. Frameworks for educational monitoring against the background of increasing ICT intensity have been presented at the conference, and could form a basis for further international development.

19. There is increasing recognition that ICT changes social behaviour, and affects not only the composition of demand but also patterns of interaction between citizens, government and enterprise. Time-use measurement of individuals is an increasingly important tool to understand those changes. As the digital economy blurs boundaries between home and work, leisure and employment, understanding how time is used by citizens as consumers and as members of the labour force can be a vital input to policy analysis. If there is a "new paradigm" for individual economic behaviour, that is the way we are most likely to find and track it.

VI. The international statistical community and the new economy measurement agenda

20. There is recognition that both international and national organizations find it increasingly difficult to keep pace with the changes in statistical needs, at a time when international comparability is more important than ever, given the rate of change, the increasing internationalization of firms and the need to understand global effects of ICT across different countries. Additional work is essential to underpin convergence, and existing international frameworks may not be able to deliver it.

21. However, the reality is that for most official statistics organizations national priorities come first, and it is necessary to build international agreement for required changes on that understanding. The relevance of new statistical approaches must therefore be demonstrated, and it is not currently clear that changes considered useful by the most developed economies are beneficial to all.

22. With limited resources for statistics development, two ways to make the most of those available must be pursued:

- A more coherent programme of research into ICT and information society issues, including priorities and shared workload between organizations to avoid duplication of effort;
- International bodies must, as a result of research, identify clear recommendations to member countries, not only on what they should do but also how they can achieve recommended outputs; that would go a long way to improve implementation of agreed changes to international frameworks.

23. Long-term commitment to supporting change is required, in which national statistical offices agree to pool resources and focus on areas of expertise in a shared research agenda. That is the only way to make progress affordable. There must also be more effective use of academic input within such a framework, which may require more and perhaps different, resources and skills in national statistical offices and international organizations to implement the changes needed.

24. Price measurement, software accounting and service sector output all require more research, with exchange of current best practices, and new concepts, which would permit the international statistical community to develop well understood comparisons of methodology, procedures and practices. International organizations must facilitate the sharing and exchange process.

25. There is general support for the need to update the System of National Accounts, 1993 (1993 SNA), since today's framework is inadequate for such intangibles as research and development, a major weakness. Processes to revise the 1993 SNA in response to market and technology changes have been simultaneously too slow to keep pace and too complex for all to follow, and should be amended:

- To enable all countries to meet basic standards in national accounts;
- To adapt the existing framework to fill gaps identified.

26. The changes in decision processes rest with the national statistical offices, who must ensure:

- Commitment to implementation in good time;
- More focus on exchanging good practice in order to speed up implementation.

27. Convergence of classifications for 2007 so as to improve comparability is also a high priority in order to provide a secure understanding of differences between countries and international effects of change. International organizations have a central role in that area, but can only build on the ability of national statistical offices to exchange and adopt good practices.

VII. Priorities for official statisticians to tackle now

28. Conference participants were asked their priorities for international action within the statistical system to resolve issues outlined in discussion; the summary of responses set out below also seeks to identify the organizations through which such action is best directed.

Processes for change

29. The mechanisms currently in use to develop systems of national accounts and classifications and to implement new international agreements have not kept pace with economic change. The following developments, requiring action at all levels in the international statistical system, would assist.

Development	*Initiators*
Commitment to more flexible, possibly incremental approach to SNA development, with more frequent updates aiming for convergence and comparability; agree on process, research agenda and timetable to progressive update.	Intersecretariat Working Group on National Accounts (ISWGNA), Statistical Commission

Development	*Initiators*
Focus on SNA change to specify how required changes can be implemented to speed adoption and aid comparability.	ISWGNA, assisted by national statistical offices
Greater investment in identification and exchange of "good practice" statistical approaches, to spread common methodology and practice.	National statistical offices (NSOs), drawing on academic input; Statistical Office of the European Communities (Eurostat)

Measurement methodology

30. Agreed solutions are required to a wide range of technical questions, of which the following are the most pressing:

Development	*Initiators*
Marketed services: agreed approach to output measurement and price deflator methodology.	Voorburg city group, Organisation for Economic Cooperation and Development (OECD)/Eurostat Task Force
Quality and pricing measurement for ICT goods, including common standard for hedonic pricing approaches.	OECD, Eurostat Hedonics Centre
ICT and software capital measurement methodology.	Canberra city group, European Union (EU)
Treatment of knowledge and other related intangibles as capital assets, building on work by firms and academics.	Canberra group, NSOs, academics
More investment in information society measures to build evidence on access, adoption and impact of ICT, and electronic networks for business and households.	OECD, Eurostat, leading NSOs
Classifications 2007, where convergence is vital to improve comparability, and to recognize the increased role of digital/ information products.	Convergence Working Group, United Nations, Eurostat, United States, Mexico, Australia, New Zealand
Measurement of human capital, and quality of labour inputs to economic activity, and better understanding of links between skills, knowledge, access to ICT networks and productivity.	OECD/Swiss Federal Statistical Office, United Nations Educational, Scientific and Cultural Organization

Development	*Initiators*
Measurement of health and education services, moving the focus from input to output, or outcome, frameworks to provide information that policy makers need, via satellite accounts.	World Health Organization (WHO), Statistics Canada, Paris21 consortium
Develop business micro-data, for analysis of productivity behaviour and performance, with protocols and frameworks to allow international comparison.	Statistical Working Party of the OECD Committee of Industry and Business, NSOs
Develop time-use data, as part of household micro-data approach, to show effects of networks on individual behaviour — social and economic — and on changing demand and skills.	United Nations Development Programme (UNDP), OECD, NSOs
Measures to identify the digital divide, within and between regions, to identify disadvantaged groups to aid policy makers.	UNDP, OECD, NSOs

Measurement in practice

31. Measuring the new economy offers both challenges and opportunities for statisticians. Economic entities, and social networks, are more complex as a result of ICT use, but the technology itself offers many of the solutions.

Development	*Initiators*
Integrated measurement approaches to multinational firms, accounting for an increasing part of economic activity, where national measurement fails to capture behaviour or performance.	NSOs, Eurostat, World Trade Organization
Develop methodology to improve data capture on output, prices etc. from large databases developed by firms as part of operations; so far, few NSOs have made significant progress.	Ottawa group, NSOs and leading firms

Dissemination

32. As national statistical office roles adapt to demands from "evidence-based" policy, the importance of clear communication and objectivity increases. Statisticians have a clear responsibility to improve accessibility and interpretability, especially since the Internet delivers their output directly to business and citizens.

Development	*Initiators*
Closer integration of concepts and metadata so as to ensure best practices, in the areas of definitions, quality statistics and comparability, on which users can depend.	NSOs, through international leadership
Improved presentation and interpretation to support evidence-based policy monitoring, via new dissemination standards and through effective dialogue with users of statistics.	NSOs, OECD, Paris21 consortium

VIII. Monitoring progress

33. The above-mentioned steps will help statisticians to present citizens, policy makers and business with a more convincing picture — still incomplete — of changes going on around them. Without change, there is an increasing risk that official statistics may "miss" the information economy. The IAOS conference has brought together a wide cross-section of users and providers of statistics, with shared interest in ensuring that the international statistical system meets its users' changing requirements. Many of the areas identified above are already being tackled.

34. For many developments, strong leadership from national statistical offices is required to move the agenda forward. Sharing good practice was a recurring theme of our discussions, and effective sharing must be driven "from the ground up". An important test of progress will be the extent to which national statistical offices achieve such sharing.

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Economic statistics: agriculture statistics

Report on recent developments in agricultural statistics and future plans prepared by the Food and Agriculture Organization of the United Nations

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-third session,** the Secretary-General has the honour to transmit the report of the Food and Agriculture Organization of the United Nations on recent developments in agricultural statistics and future plans. The Commission may wish to review overall progress, current activities and future development plans in agricultural statistics.

* E/CN.3/2003/1.
** See *Official Records of the Economic and Social Council, 2002, Supplement No. 4* (E/2002/24), para. 1.

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Recent developments in agricultural statistics and future plans

Report of the Food and Agriculture Organization of the United Nations

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I. Medium-term plan for the period 2004-2009

1. The medium-term plan for the period 2004-2009 for subprogramme items 2.2.2, Food and agricultural information, 2.3.1, Fisheries information and 2.4.4, Forestry information and liaison, was submitted to the one hundred and twenty-third session of the Council of the Food and Agriculture Organization of the United Nations (FAO), held from 28 October to 2 November 2002.[1] Summary details of those subprogrammes are contained in the annex.

2. The Council endorsed the substantive content of the medium-term plan for the period 2004-2009 and recognized that the medium-term plan was responsive to key international events, such as the Millennium Summit of the United Nations, the World Trade Organization (WTO) Doha Ministerial Conference, the International Conference on Financing for Development, the five-year review of the World Food Summit and the World Summit on Sustainable Development.

II. Review of statistical activities

3. A review of statistical activities in FAO was undertaken by the FAO Programme, Budget and Evaluation Division (PBE) in 2002, and included an external peer review panel. The preliminary conclusions of the review included recommendations that:

- The Organization ensure adequate resources for its statistical programme activities and play a greater advocacy role in mobilizing effective international support to strengthening national capacity in statistics, especially in areas of FAO priority concerns.
- FAO explore and undertake several measures to support countries in improving their statistical capacity in general and in producing, collating and reporting existing data in the best way possible.
- FAO establish a regular forum for institutionalized contacts with experts from member countries. It is recommended that an international advisory panel on statistics be created (complemented by an internal FAO body) to consider data needs and analytical approaches, improve responsiveness, gather intelligence about current data concerns and consolidate statistical methods. This is also a way of reaching statisticians beyond the ministries of agriculture.

III. Current statistical activities

4. In addition to ongoing activities outlined in the medium-term plan for the period 2002-2007,[2] FAO Statistics Division has initiated the following current statistical activities:

A. Modernization of FAOSTAT

5. FAOSTAT (FAO's corporate statistical database), which has been operational for the past decade, has many technical and functional limitations that have become apparent over recent years. The FAOSTAT2[3] proposal was developed to modernize

FAOSTAT, and that proposal has been approved by the FAO World Agriculture Information Centre Committee and now has full project status. Work is proceeding on data management and statistical methodology aspects, the technical architecture and systems requirements. FAOSTAT2 will:

- Provide an improved user interface, streamlined system processes, and a stable and reliable technical environment for the FAOSTAT working system.
- Improve the quality of data by providing robust tools for compiling, validating, estimating and analysing data, both at FAO headquarters and at the country level.
- Incorporate new user requirements for system functionality and access to new data sets.
- Improve user access to FAOSTAT data by enhancing and creating new mechanisms for data dissemination, including access to data across domains, and digital maps and codes to the second subnational level.
- Enhance data integrity by ensuring that appropriate methodologies and data standards are consistently applied.

6. FAOSTAT2 will be implemented using a phased approach. The project will be divided into three subprojects (working system, dissemination system and integrated corporate database). Work on these subprojects will proceed relatively independently of each other. Initial outputs of the project will focus on improvements to the current system and resolution of the most pressing problems.

B. Agricultural trade statistics matrix

7. The recent development by the FAO Statistics Division of analysis software that generates agricultural trade statistics matrices is a major advance for agricultural commodity trade analysis. The software queries the FAOSTAT database and produces matrices that allow the flows (imports and exports) of agricultural commodities between countries, regions or on a world basis to be mapped and summarized. In addition, it provides a key tool for improving data quality by allowing easy comparisons of mirror statistics with discrepancies and data gaps being easily identified. Access to the agricultural trade matrix programme for external users should be available in the first quarter of 2003.

C. Undernutrition

8. In June 2002, the FAO Statistics Division held a scientific symposium on the measurement of food deprivation and undernutrition. The symposium served to review the current status of widely used methods for measuring the referred dimensions. By promoting an open dialogue, it contributed to create a greater appreciation of the strengths and weaknesses of the different methods and of how the corresponding measures complement each other.

9. The Division's technical assistance programme on derivation of food consumption statistics from household income and expenditure surveys has increased its activities, mainly through regional training and capacity-building. In

addition, the programme has been expanded to produce estimates of food deprivation at the national and subnational levels.

D. Millennium development goals

10. The FAO Statistics Division has initiated the preparation of the FAO contribution to the United Nations Statistics Division monitoring report on progress towards the millennium development goals. FAO is responsible for two specific indicators: prevalence of undernourishment (millennium development goal 1, target 2) and percentage of forest cover (millennium development goal 7, target 9). An inter-agency coordination mechanism has been established to provide a framework to facilitate the consistency of the methodological aspects of that exercise and the integration of the different contributions into a consolidated report.

E. Producer prices

11. After several years of interruption, the FAO Statistics Division has recommended work on agricultural producer prices. The new exercise has introduced changes to the questionnaire design, and content and data collection has begun, mainly through questionnaires sent to countries. Since data for European Union countries are available through the Statistical Office of the European Communities (Eurostat) it has been agreed, first through the Intersecretariat Working Group on Agricultural Statistics then bilaterally between FAO and Eurostat, that FAO will not send its questionnaires to those countries.

F. Cooperation and coordination in agricultural statistics

12. The FAO Statistics Division continues to take a leading role in regional consultations and meetings on agricultural statistics, including:

(a) The Asia and Pacific Commission on Agricultural Statistics;

(b) The African Commission on Agricultural Statistics;

(c) The FAO/Organization of American States Inter-American Statistical Conference/Inter-American Institute for Cooperation on Agriculture Working Group on Agriculture and Livestock Statistics for the Latin America and the Caribbean Region;

(d) The Economic Commission for Europe (ECE)/Eurostat/FAO/ Organisation for Economic Cooperation and Development (OECD) Meeting on Food and Agricultural Statistics in Europe.

13. Under the Partnership in Statistics for Development in the Twenty-first Century (PARIS 21), a task team was established on rural and agricultural statistics. The task team[4] met on 16 and 17 September 2002, and decided to prepare and present a detailed action programme within the next six months to strengthen agricultural and rural statistics in Africa for poverty reduction and food security. FAO is the convenor of the task team.

14. FAO has been a member of the Intersecretariat Working Group on Agricultural Statistics, along with ECE, Eurostat and OECD, since its inception in 1991. The four organizations/agencies coordinate their agricultural statistical activities in Europe. They also organize joint seminars on emerging topics in the field. The most recent (eighth) seminar was held in Paris in November 2002, on the theme "Perspectives for agriculture and rural indicators and sustainability".

G. Agricultural censuses

15. FAO has been promoting the decennial Programme for the World Census of Agriculture. About 100 countries are expected to participate in the current Programme. Countries' census results are compiled and disseminated through the FAO web site and in hard copies. The next Programme will be issued in 2005.

IV. Future methodological development in agricultural statistics

16. Recent seminars on agricultural statistics have highlighted the need for methodological development in a number of areas relating to food and agricultural statistics. In particular, there is a need for the development of a framework for rural statistics, including new concepts and methods. The current classifications of urban and rural have become less relevant from an agricultural and rural policy perspective and need to be revised.

17. A broader view of agricultural statistics is needed as policy developments place greater demands on information relating to economic, social and environmental parameters for rural residents, incomes, businesses and resources in rural areas. Other areas where policy makers are requesting methodological development are crop-forecasting methods and agribusiness statistics. The Commission may wish to comment and make recommendations on these and other areas that it considers to be in need of methodological development.

Notes

[1] http://www.fao.org/DOCREP/MEETING/005/Y7016E/Y7016E00.HTM.

[2] See http://www.fao.org/DOCREP/MEETING/003/Y1522E.HTM.

[3] See FAO Statistics Division, *Modernization of FAOSTAT*, (http://www.fao.org/es/ESS/faostat1.htm).

[4] See http://www.paris21.org/htm/TT_agstats.htm#sept2002.

Annex

Medium-term Plan for the period 2004-2009

A. Statistics Division activities:

Programme 2.2.2: Food and Agricultural Information (abridged)

222A2 FAO/World Bank/USDA Initiative for Agricultural Statistics in Africa

388. Development problem to be addressed: the lack of a comprehensive and reliable statistical information base on the food and agricultural sector in Africa and the decreasing capacity of some countries to generate data is a major constraint to effective policies for food security and rural development in the continent. It also affects the monitoring and evaluation of progress towards development goals, including towards World Food Summit (WFS) commitments.

389. Proposed contribution to problem resolution: this joint effort by the World Bank, the United States Department of Agriculture (USDA) and FAO is enhancing the availability of reliable and relevant statistical information on the rural sector in Africa, therefore, contributing to improved, evidence-based formulation of policies and programmes supporting the rural sector.

390. Intended end beneficiaries and benefits: the end beneficiaries of this entity are the rural population at large through more effective and efficient development programmes in the rural sector.

391. National governments, the private sector and development agencies take advantage of more integrated, reliable and timely statistical information on food and agriculture in Africa, to improve sectoral planning and enhance monitoring and evaluation of the performance of the agricultural sector.

Major Output(s):

a. Data needs assessment studies, development of conceptual framework and formulation of programme in target countries.

b. Data quality assessment, harmonization, storage and dissemination.

c. Provision of technical supervisory and evaluation services.

222A4 Systematic evaluation and improvement of statistical data quality

396. Development problem to be addressed: the reported decline in agricultural sector data completeness and quality undermines the global and national statistical knowledge base, which underpins sound decision-making. While the issue of data quality at the source will require a long-term and concerted effort at the country level, an urgent need exists for enhancing the quality in databases of FAOSTAT, which runs on obsolete software and hardware configurations, with the underlying programme libraries (components and compilers) no longer available for system support.

397. Proposed contribution to problem resolution: improvements in the quality and usefulness of FAO statistics by enhancing FAOSTAT functionality with the use of web-based technologies in collection, processing and dissemination of statistics. A

major improvement will be the availability of metadata on national methods of data collection and quality indicators.

398. Intended end beneficiaries and benefits: ultimate beneficiaries will be producers and consumers, benefiting from improved policy decisions based on more reliable, comprehensive and timely data.

399. The complete overhaul of FAO's statistical database with more reliable, methodologically-sound and transparent data and new aggregations and extrapolations functions, providing decision makers with improved data series, therefore, contributing to improved planning, evaluation and policy setting in countries.

Major Output(s)

a. Review and quality improvement of agricultural input statistics.

b. Review and quality improvement of agricultural production and trade statistics.

c. Improvement of quality and availability of agricultural census and survey data.

222P1 Agricultural Resources and Income Statistics

404. Development problem to be addressed: complete and accurate agricultural resources and income statistical data are essential to formulation, monitoring and evaluation of economically-sound agricultural policies and to supporting appropriate decision making.

405. Proposed contribution to problem resolution: the entity will ensure statistical data on population, labour force, prices, incomes and other socio-economic variables.

406. Intended end beneficiaries and benefits: people working in agriculture and the public at large are to benefit from agricultural policies taking economic and environmental factors into consideration.

407. To provide analysts and policy makers in governments and development agencies with: a set of up-to-date and world-wide statistical series and indicators relating to land use, population, labour force, agricultural inputs, prices, income, investment, resource flows and environmental issues, and statistical profiles with integrated presentation of key indicators of the agricultural sector.

Major Output(s)

a. Agricultural inputs, resources and environmental statistics.

b. Agricultural prices, income and investment statistics.

c. Statistical profiles for agricultural sector analysis.

222P2 Agricultural Production, Trade Statistics and Food Balance Sheets

408. Development problem to be addressed: complete and accurate statistical data regarding crop and livestock production, trade and utilization statistics need to be maintained so as to support economic analysis and forecasting, and the

development, implementation and evaluation of effective policies and programmes for food security and rural development.

409. Proposed contribution to problem resolution: this continuing programme activity complements the preceding in terms of FAO's core statistical work, covering the key areas of agricultural production and trade statistics and food balance sheets.

410. Intended end beneficiaries and benefits: ultimate beneficiaries will be producers and consumers benefiting from improved policy outcomes.

411. To provide users in FAO and the world community at large with a set of consistent and up-to-date series and indicators relating to production, trade and utilization — crop and livestock — statistics to analyse and monitor the food and agricultural regional and global situation and to support decision making.

Major Output(s)

a. Agricultural production statistics.

b. Agriculture trade statistics.

c. Supply Utilization Accounts and Food Balance Sheets.

222P3 Agricultural Statistics Development

412. Development problem to be addressed: the lack of timely, reliable and comprehensive agricultural censuses and surveys for the agricultural sector in many countries represents a critical constraint to policy making and development planning, as well as monitoring the performance of the sector and improving food security.

413. Proposed contribution to problem resolution: this continuing programme supports the development of methodologies and technical tools for agricultural censuses and contributes to the production by countries of harmonized and improved basic data, which will contribute to better planning, evaluation and policy setting in the agricultural sector.

414. Intended end beneficiaries and benefits: planners and administrators in the public and private sectors will benefit by having a better information base for decision making with the ultimate benefit flowing to society at large.

415. Improved availability, reliability, timeliness and usefulness of statistics relating to food and agriculture at the national level for improved sector planning, monitoring and evaluation of policies and programmes addressing food security issues.

Major Output(s)

a. Improved methodologies for agricultural censuses and surveys.

b. Strengthening of national capacities in agricultural statistics.

c. Data quality documentation.

B. Fisheries Division activities:

Programme 2.3.1: Fisheries Information

231A2 Development of Partnerships for the Fisheries Resources Monitoring System (FIRMS) of the Fisheries Geographical Information System (FIGIS)

497. Development problem to be addressed: in the context of the globalization of issues related to governance and trade in natural resources, there is a deficit of reliable information. Comprehensive, objective and timely information and the resulting increased awareness would facilitate and stimulate more effective policy making, sectoral planning, management and, consequently, fishing practices.

498. Proposed contribution to problem resolution: direct involvement of, and improved coordination between information owners (national and regional centers of excellence) in the development and maintenance of an integrated worldwide information system is a guarantee of better quality information. The newly available information technology, together with the development of communication standards for information exchange, will facilitate the needed partnerships.

499. Intended end beneficiaries and benefits: the international community (producers, processors, traders, consumers, support industries and the public at large) are the ultimate beneficiaries. The intended benefits are effective policy making, sectoral planning and fisheries management which result in sustainable use of fishery resources.

500. Increased awareness of key fisheries issues and trends and their inter-relationship with other aspects of integrated natural resource management; better informed public debate in support of sustainable management of fisheries resources at the national and international levels, based on improved international fishery information standards and quality.

Major Output(s)

a. Enhanced FIGIS functionalities compatible with WAICENT, and modules and workflows for the integration and updating of data.

b. Coordination, technical and other support to the FIGIS/FIRMS Partnership and to information provider partners.

c. Comprehensive multi-disciplinary Geographical Information System (GIS)-based database on fisheries integrated in FIGIS.

231P1 Provision of Fisheries Information and Statistics

501. Development problem to be addressed: Members require current, comprehensive, and accurate fisheries information and statistics for policy making, sectoral planning and management, but often fisheries information is lacking, unreliable, incomplete or outdated. As a result, many fisheries policies and practices are not compatible with sustainable use.

502. Proposed contribution to problem resolution: the availability and use of comprehensive and standardized fishery information and statistics will facilitate more effective policy making, sectoral planning and management in support of

sustainable fisheries use, resulting in improved practices at national and international levels.

503. Intended end beneficiaries and benefits: increased and sustainable fishery production, utilization and livelihoods, sustainable ecosystems and protection of the environment will benefit key international stakeholders including producers, processors, traders, support industries and consumers as well as the public at large.

504. Availability of comprehensive, standardized global fisheries information and statistics and wide use by governments and other stakeholders to promote awareness of key fisheries issues and trends, as well as serve policy formulation in the sector.

Major Output(s)

a. Development of norms, standards, guidelines, arrangements and procedures for enhanced collection, storage, dissemination and sharing of fisheries information.

b. Fisheries information and library services.

c. Development and promotion of norms, standards, arrangements and procedures for enhanced collection, storage, processing, dissemination and sharing of fishery statistics.

d. Collation, analysis and dissemination of global and regional fishery statistics.

231S1 Advice and Technical Support to Member Nations and Regional Fisheries Bodies

505. This entity covers services to countries in respect of fisheries information and statistical development.

C. Forestry Division activities:

Programme 2.4.4: Forestry Information and Liaison

244P1 Forestry Information

654. Development problem to be addressed: a lack of transparency, clarity and comparability in forestry information, coupled with the extensive geographic spread of forests and their diverse characteristics, makes it quite challenging to have a clear picture of how resources are changing over time, constraining attempts to reform plans, policies and programmes to advance sustainable management of forests. As a result, well-intended policy reform cannot be monitored for effectiveness, while illegal activities and misuse of forest resources result in forest degradation or disappearance.

655. Proposed contribution to problem resolution: improved awareness of key forestry issues and advocacy of sustainable management of forest resources by policy makers and other important sectoral stakeholders, will facilitate reform and refinement of national forest policies and programmes.

656. Intended end beneficiaries and benefits: more successful reform efforts will advance sustainable management of forests, stem resource degradation and misuse,

as well as illegal activities in the sector, benefiting national governments and both current and future generations.

657. Improved awareness of key forestry issues, advocacy of sustainable management of forest resources (on the part of policy-makers in formulating forest sector plans and of researchers and academic institutions in informing the public debate) based on wider access to a current and objective information base.

Major Output(s)

a. Forestry Web site, providing access to databases and other information using dynamic search criteria.

b. Institution building services and methods for managing countries' forest-related data, information and knowledge.

c. Production of coordinated forestry information materials.

d. Documentation and search facilities and services, linked with specialized documentation centers.

e. Advocacy activities for non-technical audiences on selected forestry issues.

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Report of the Australian Bureau of Statistics on the statistics of services

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-third session,** the Secretary-General has the honour to transmit the report of the Australian Bureau of Statistics on the statistics of services. The Commission may wish to review the work undertaken in services statistics and consider the points for discussion which are presented in paragraphs 7, 21, 41, 56, 69, 88, 95 and 98 of the report.

* E/CN.3/2003/1.

** See *Official Records of the Economic and Social Council, 2002, Supplement No. 4* (E/2002/24), para. 1.

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Statistics of services

Report of the Australian Bureau of Statistics*

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* Acknowledgement: The Australian Bureau of Statistics is very appreciative of helpful contributions from the Organisation for Economic Cooperation and Development and others in preparing the present report.

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I. Introduction

1. The present report reviews work undertaken internationally in relation to conceptual development and practical measurement issues in the field of services statistics. Particular attention is given to classification of services and products, price indexes for services, international trade in services, and short-term indicators in services. Conceptual and measurement issues in emerging areas of information and communication technology, knowledge-based economy, innovation, globalization and non-profit institutions are also covered.

2. The report concludes with a summary of suggestions, for consideration and discussion by the Statistical Commission, of areas where further international collaboration might be useful.

II. Contributors to the development of services statistics

3. In less than two decades, the international statistical community has moved from a position where there were virtually no initiatives designed to coordinate or harmonize services statistics internationally to a position where a significant and growing number of expert groups are now active in this field. Under the auspices of the Commission, the Voorburg Group on Services Statistics, the Inter-Agency Task Force on Statistics of International Trade in Services, the Expert Group on International Economic and Social Classifications, the Intersecretariat Working Group on Price Statistics, the Ottawa Group on Price Indexes, the Delhi Group on Informal Sector Statistics, the International Comparison Programme (ICP) and the Round Table on Business Survey Frames are all helping to advance the development of services statistics. Furthermore, the increasing importance of service activities was a factor underlying the development of the 1993 System of National Accounts (SNA).

4. Looking more broadly than the Commission, the Organisation for Economic Cooperation and Development (OECD), the Statistical Office of the European Communities (Eurostat), the World Trade Organization (WTO) and the International Monetary Fund (IMF) are active in the development of services statistics, not only through their contributions to expert groups affiliated with the Commission but through their own separate initiatives.

5. In addition, the newly created OECD Short-term Economic Statistics Expert Group (STESEG) has established specific subgroups to look into important areas of short-term indicators for services, timeliness and benchmarking, data presentation and seasonal adjustment, and reducing cost and reporting load on providers. The United Nations Conference on Trade and Development (UNCTAD) collects data on operations of foreign affiliates in the services sector and is developing guidance material on the compilation of foreign direct investment statistics and statistics on the operations of foreign affiliates. The OECD Working Party on Indicators for the Information Society (WPIIS) has also been effective in advancing the information and communication technology (ICT) data framework internationally. The Committee for the Coordination of Statistical Activities has a broad role in coordination and integration of statistical programmes, although it is not addressing specific services statistics issues.

6. Services statistics have benefited greatly from the work of these disparate groups. The resources saved over the years through information-sharing and avoidance of duplicated research effort would be substantial. The more informal working arrangements underpinning the expert groups have also afforded a higher degree of flexibility to tackle new and emerging issues and to capitalize on the particular interests and energies of group members.

7. While these benefits are undoubtedly a good thing, the proliferation of expert groups with their different research agendas prompts the question of whether they are, collectively, tackling the priority issues confronting services statistics. Specific questions include:

- Is there more that should be done to coordinate the efforts of these groups, including communicating their work to the Statistical Commission?
- Are there important aspects of services statistics that are not receiving adequate attention by the groups?
- Is there any duplication of effort that could be rationalized, or effort being expended on less important activities that could be channelled elsewhere?
- Should the Voorburg Group be tasked with drawing together the work of these groups and with developing a more integrated research programme to which all can contribute?

III. International classifications

8. The most current international industrial and product classifications are the International Standard Industrial Classification of all Economic Activities, Version 3.1 (ISIC, Rev 3.1), and the Central Product Classification, Version 1.1 (CPC, Version 1.1). The Technical Subgroup of the Expert Group on International Economic and Social Classifications has started a revision of ISIC and CPC, and work is progressing according to a work plan approved by the Commission. Both revised classifications will be completed by 2007, with implementation occurring after that.

9. The Technical Subgroup has provided a concepts paper to the current session of the Commission, outlining the underlying principles of the revised classifications. Given the existence of that paper, little discussion on that topic is provided in the present report. After the Commission discussion, regional meetings will be held to discuss the proposed concepts and structures for both classifications.

A. ISIC

10. For ISIC, the Technical Subgroup has considered the three driving forces that condition any revision: continuity, relevance and comparability. A high-level structure has been proposed which takes those factors into account. Continuity was given a high priority in areas of the classification that have not been identified as targets for revision. Relevance was considered in areas where the classification needs to better reflect economic reality. Comparability was considered a priority in all parts of the classification in response to the Commission's request to address the issue of convergence between existing activity classifications. The proposed ISIC

2007 high-level structure makes substantial changes to a number of services areas, in recognition of the increasing importance of those activities internationally.

B. CPC

11. For CPC, the Technical Subgroup has yet to develop a clear definition of the revised classification, its new structure, its links to other classifications, and its role and application within the System of National Accounts. The work will be completed throughout 2003.

C. North American and European classifications

12. Canada, Mexico and the United States have undertaken an extensive research project to identify the final products of service industries. Their objective is to create a comprehensive, demand-based, market-oriented classification system (North American Product Classification System (NAPCS)) that will complement the supply-oriented North American Industry Classification System (NAICS) introduced in 1997. Since the beginning of the project, more than 1,800 detailed products have been identified and defined. Full coverage of all service products is expected to be completed by late 2005 for implementation in the survey programmes for reference year 2007.

13. A project to study the potential for greater convergence between the General Industrial Classification of Economic Activities within the European Communities (NACE) and NAICS was initiated in June 2000 by Canada, the European Union and the United States. The group working on that project has tried to use a common structure, with the same major categories at the top of the classification and 379 classes in common. To date no recommendations have been made regarding the adoption of any changes. The next phase of the project involves the launch of a consultation process with stakeholders.[1]

D. Trade in services classification

14. The IMF *Balance of Payments Manual, Fifth Edition* (BPM5) framework contains recommendations for the definition, valuation, classification and recording of resident to non-resident trade in services. By building on that framework, the *Manual on Statistics of International Trade in Services* (MSITS)[2] recommends extending the BPM5 classification of transactions by type of service to provide more detail through the Extended Balance of Payments Services (EBOPS) classification.[3]

15. A correspondence table between the EBOPS classification and CPC, Version 1.0 provides a clear definition of the components of the EBOPS classification. Except for construction services, the recommendations are consistent with BPM5. Thus, a country's balance of payments statistics will provide much of the data needed to implement the recommendations relating to the measurement of resident to non-resident trade in services. MSITS also classifies trade in services by mode of supply, for which mode 3 (commercial presence) is beyond the balance of payments resident to non-resident requirement. The mode of supply classification serves the needs of negotiations in WTO.

16. Any proposals to change the classification of services in BPM5 need to be discussed with the Inter-Agency Task Force on Statistics of International Trade in Services since that could affect the classification of services recommended in MSITS. Revisions to CPC also need to be coordinated with any changes to BPM5, ensuring clearer linkages between the two classifications.

E. ICT sector

17. In the international context, the OECD Working Party on Indicators for the Information Society (WPIIS) has been active in attempting to produce ICT classifications. It has generally worked within the constraints of existing classifications to produce draft ICT classifications. To a limited extent, it has proposed changes to existing classifications (notably ISIC, Rev.3.1).

18. In 1998, WPIIS agreed on an activity-based definition of the ICT sector based on ISIC, Rev.3 classes. With the exception of ISIC 5150 (Wholesale of machinery, equipment and supplies), whole ISIC classes were used. The ICT sector definition has recently been improved following OECD input into the 2002 revision of ISIC (ISIC, Rev.3.1). This has resulted in a better definition of the wholesale ICT component, with ISIC 5150 now split into three classes, two of which, classes 5151 (Wholesale of computers, computer peripheral equipment and software) and 5152 (Wholesale of electronic and telecommunication parts and equipment), have been incorporated into the OECD's ICT sector definition.

19. In 2001 and again in 2002, WPIIS considered a harmonized ICT-manufactured goods classification that should be able to be concorded with CPC (or country equivalents). The 2002 paper is to be redrafted, taking into account Canadian and French comments on the classification.

20. Regarding the definition of ICT services, Canada presented a paper on ICT services products to the 2000 meeting of WPIIS and the results of testing to the 2002 meeting. The Canadian proposal is based on the NAPCS development project. It incorporates the principle for ICT service industries, adopted at the 1998 meeting of WPIIS, that the products of a candidate industry must be intended to enable the function of information processing and communication by electronic means. It is clear that more work needs to be done on a list of ICT service products, and it is hoped that that work would feed into the general framework for the revision of CPC.

21. There is clearly a significant amount of work being undertaken on international classifications by a range of working groups, but their work raises a number of questions:

- Does the Commission have concerns that the 2007 ISIC and CPC may not adequately meet the needs of those producing statistics on the services sector? For example, are classifications adequate (and fast-moving enough) to capture the large and growing areas at the blurring boundaries of manufacturing and services?
- Is the Commission comfortable with the use of alternative views (e.g., tourism) to complement the use of standard international classifications?
- Are concerns with classifications in relation to services statistics being identified and fed back to the relevant working groups?

- The Commission has encouraged countries to progress in the implementation of a number of classifications and frameworks (e.g., MSITS) with some priorities indicated. Does there need to be further coordination and priority expressed?

IV. Collection of current price services data

22. All countries need to allocate their limited resources in the most cost-effective way possible. There is also often a political imperative to reduce reporting load on businesses. Despite these common concerns, there are significant differences in approaches to the balance between the breadth and depth of information collected about the services sector. Some countries focus on covering all services sectors on a regular basis at the expense of the depth of information collected, in particular countries just starting on services statistics. Although that approach might be sufficient for broad national accounts requirements, it does not satisfy the specific and detailed information needs of many external clients.

23. Such countries as Australia and Canada, on the other hand, focus more on the heterogeneity of services, and recognize that there are many services industries and many variables that do not require measurement with the same frequency, in the same detail and on the basis of the same data sources.[4] Countries using the latter approach tend to collect structural information at a broad level on a regular basis and have rolling programmes of surveys to collect detailed information. A few countries also run economic censuses to collect input/output information for most of the services sector and to obtain information for benchmarking more frequent surveys (e.g., Malaysia and the United States).

24. To help reduce costs and reporting load, national statistical agencies now make greater use of administrative data in lieu of direct collection, and they are using more efficient survey design techniques.[5] The use of administrative data, however, presents a number of problems for statistical agencies. Problems with administrative data include data content, concepts, definitions and statistical units not matching statistical standards; changes can be out of the statistical agency's control; differing reference periods; and data-quality problems (e.g., industry coding at fine levels).[6]

25. Despite the problems associated with using administrative data in the production of services statistics, statistical agencies are working more closely to overcome them. The OECD Short-term Economic Statistics Expert Group recently noted that differing institutional environments between countries preclude any significant benefits from any comparative studies on the types of administrative data being used by different countries, though there may be benefits in sharing successes that some countries have had in influencing the quality (e.g. timeliness) of administrative data provided by other agencies.[5]

A. Supply side

26. On the supply side, knowledge about services sector production and client markets lags behind that of the manufacturing sector. A number of countries have shown that it is possible, though not always easy, to collect turnover information by product type. One of the difficulties is that CPC is not fully developed for particular

services. The current development of services price indexes, together with the demands from the national accountants and other clients, will increase future pressure for production data on services.[7]

27. In the 1990s, the Voorburg Group developed a framework of model surveys that aimed to collect, within a particular service industry, prices and quantities of CPC services sold domestically and abroad. The first model survey was on computer services and it was developed as a set of modules, to be adopted singularly or together. As pointed out at the twenty-third session of the Commission, the actual strategy of collection — the precise wording of each question and the manner in which the different modules should be dealt with — is a matter for agencies to decide. The model survey itself was designed to handle estimation of value added in current values for that industry, as well as to compile statistics relating to the domestic production and international trade in service products. Based on the conceptual framework of the production accounts of the national accounts, different modules covered:

- Output and revenues from sale of services.
- Inputs, including purchased inputs of goods and services used.
- Goods and services purchased for resale and other expenses.
- Labour, in terms of remuneration, employment and occupation.
- Research and development expenditure/investment.
- Capital expenditure and depreciation.
- Imports and exports.[8]

28. Since the development of the computer services model survey, other model surveys have been developed for telecommunications, market research and advertising, audio-visual services and ICT usage. Additional modules are also planned to cater for data outside the core survey, which are increasingly recognized as important. Examples include innovation and globalization.

29. One of the major successes of the model survey approach has been testing and improving CPC. It has been useful for summarizing and sharing information about particular industries and as a framework for countries in the early stages of developing a services statistics programme. On the down side, international comparability of data has been inhibited by the flexibility and lack of prescription in the model about collection aspects. Further work might be considered to standardize the categories for which input data are to be collected, to define the collection variables and to delineate the units that constitute the observation target for these surveys.[8]

30. In addition to model surveys, greater transparency of key aspects of survey design and methodology would enable users to formulate assessments of the impacts of methodological differences between countries. That is an area where the Voorburg Group could potentially play a stronger role.

B. Demand side

31. Most official statistics on services are supply-side oriented; however, demand-side statistics can give insight into the use of services by businesses and households and enable the identification of services creating value added to industrial production. Demand-side studies are required for input/output tabulation purposes and also by policy-making users. Other reasons for carrying out demand-side surveys on the use of services by businesses are to assess the relative efficiency of businesses, to identify shortage of skills of the employees and to identify barriers to international trade in services.[9]

32. In response to the need for demand-side statistics, a number of countries have attempted to collect data on purchases of services by businesses. Feedback from a Eurostat pilot study and the United States Bureau of the Census concluded that it is feasible to collect this type of data despite the problem of identifying the proposed detailed service breakdowns in the accounting systems of businesses. Other countries, such as Australia and Canada, have had success in collecting that information through tailored industry specific forms and requesting the less detailed breakdowns that exist in business accounts. Those countries are not trying to measure the problematic labour components of purchased services in much detail. All of those countries are trying to find better and more efficient ways to collect and provide that critical information, without imposing an unreasonable reporting load on businesses.

C. Short-term economic statistics

33. In recent years, there has been an increase in focus on short-term economic statistics. Short-term statistics encompass a broad range of statistics, including quarterly national and financial accounts; monthly statistics on prices and costs; and measures of output and demand, the labour market and external trade. During that period, OECD has taken the lead in improving cooperation between European and non-European OECD countries in this area. In particular, OECD established the Short-term Economic Statistics Expert Group, which met for the first time in June 2002. Previously, bilateral discussions between Eurostat and non-European countries had been held.[10]

34. Future activities of the Expert Group[5] comprise:

- Guidelines for the development of short-term indicators for services and work on related conceptual issues.
- Processes for improving the timeliness of short-term economic indicators, including the use of benchmarking techniques.
- Best practice for the presentation of short-term economic indicators and related work on seasonal adjustment.
- Best practice to reduce the cost (to both providers and statistical agencies) of collecting short-term economic statistics.

35. Progress on these activities will take one of two possible forms. Three task forces have been formulated to tackle the first three activities, and the Internet will be used to identify and disseminate information on best practice by OECD member

countries. The fourth activity, on reducing cost and load to providers, will be tackled via the Internet alone. Given that these issues are uppermost in the priorities of most countries, the work of the Expert Group will need to be closely coordinated with the work of other groups, particularly the Voorburg Group and the joint OECD/Eurostat task force on price indexes for services.

1. Short-term indicators for services

36. A major priority is the need to extend the current range of short-term economic statistics available for the services sector. The Expert Group has noted the introduction of output indicators (based primarily on turnover) by many OECD member countries over the last few years, though these were not necessarily comparable. It has also noted the close relationship between future work on the development of demand and output indicators for services and the development of appropriate price indexes for the services sector.

37. In contrast to the demand for output indicators for the manufacturing sector, service indicators do not currently receive as much attention or use by the user community. There is a need to compile and disseminate information on the use and interpretation of indicators for this sector, which entails clarification of conceptual issues, strengthening the relationship between indicators for services and those of other sectors and analysing the impact of movements in indicators for services on the overall business cycle.

38. Another key issue in many countries is the need to improve the timeliness of short-term economic statistics while ensuring an appropriate balance between improvements in timeliness and accuracy. The use of benchmarking techniques is considered to be one possible means for making significant advances in that area. The continuation of issues raised in the European Union and the United States benchmark study will also be addressed.

39. Although considerable work has been done by European Union countries to achieve greater harmonization of short-term economic indicators, comparability with non-European Union countries has had a much lower priority with regards to future work. Where the focus of short-term indicators is on comparisons of percentage changes, rather than relative levels of activity between different services industries, it may be possible to live with less than perfect harmonization.

2. Service sector business tendency surveys

40. In 2003, OECD will expand the range of business tendency survey (BTS) data on its main economic indicators database to include more information for the services sector. Currently, BTS data are largely restricted to manufacturing even though the national statistical organizations and private institutes in many countries have collected business opinion information for services for some time. Discussions are currently under way to coordinate that activity with the European Commission. The project also entails the dissemination of summary metadata to enable users to compare methodologies, definitions, etc. used in the collection of BTS data.

41. The discussion on the collection of current price services data raises the following questions for the Commission:

- Is there an appropriate balance between the availability of supply and demand-side statistics? Should more effort and resource be channelled into the production of more demand-side statistics on services?
- Model surveys have proved useful for developing countries, but one of their deficiencies is that they do not force international comparability of the data. Should the Voorburg Group take a stronger role to assist countries in achieving greater comparability of data items and statistical units?
- Does the Commission have any advice for the Expert Group on their planned future activities in regard to services statistics (see para. 34 above)?

V. Price indexes for services

42. The *Handbook on Price and Volume Measures in National Accounts*[11] produced by Eurostat has proven to be a very helpful reference for price and volume measures, especially for the measurement of non-market output. However, the fact that the vast majority of services are not physically observable makes it very difficult to apply meaningful descriptors to the quantities produced. In the absence of meaningful metrics on quantities, greater reliance has to be placed on price indexes to enable comparisons of volumes over time or space.

43. The increasing significance of services relative to goods, and the resulting increase in the compilation of current value data on the output of service industries and/or the value of expenditure on services has created a greater demand for temporal price indexes for services within national statistical systems. The heightened awareness of the need to make better international comparisons of the levels of economic activity has created a demand for cross-country spatial price measures (purchasing power parities or PPPs). Demand for the latter can be expected to grow significantly following rejuvenation of ICP.

44. Price indexes for services are also required in their own right as important components of broader domestic measures of price inflation, such as aggregate producer price indexes and consumer price indexes.

45. Relative to producers of goods, service providers have an almost infinite capacity to tailor the final "product" to the specific requirements of the final user, which generally results in a significantly larger number of discrete service products per dollar of revenue/expenditure than for goods. The addition of complex pricing plans and the increasing incidence of suppliers "bundling" together into a single package what may previously have been regarded as a number of discrete products (e.g., mobile phone businesses who virtually give away the handsets when providing telecommunication services) creates enormous conceptual and methodological problems for prices statisticians.

46. The problems encountered in compiling price indexes for services vary significantly from industry to industry or from service to service. Pricing to constant quality is particularly difficult to achieve because the characteristics of services being sold in the marketplace and their terms of sale frequently change over time. Pricing comparable services across countries is even more difficult since differences in market structures, industry maturity and regulatory arrangements serve to further differentiate products — services defined for pricing in temporal indexes can be totally inappropriate for spatial comparisons.

47. A key requirement for the establishment of a sound suite of service price indexes is a reliable demand based commodity classification to assist in identifying the "services" (or bundles of services) to be priced. CPC and the Classification of Individual Consumption According to Purpose (COICOP) are used as starting points by most countries, but there is widespread recognition that they are deficient in many areas and not well suited to coping with the dynamic nature of service industries. The experience of the North American countries in trying to develop a demand-based product classification might provide a useful contribution to that end.

A. Producer price indexes

48. Based on the OECD-Eurostat inquiry into national collections of services producer prices,[12] 20 countries or areas are currently collecting producer price index (PPI) data for services industries, with Hong Kong, China, being the only country of area, to our knowledge, outside OECD active in that field. The programme of service industry PPIs within countries collecting such data varies considerably, with many countries having only recently established operations in that field. Australia, Japan, New Zealand, the United Kingdom and the United States have the most established programmes, covering a large number of industries, whereas most European countries have only recently begun work on service industries PPIs.

49. A large proportion of countries with PPIs for services industries have set up PPIs covering areas of telecommunications, hotels, sea and air transport. Given their relatively large contribution to most countries' economies, PPIs in those areas are often a good starting point. The main gap lies in the coverage of business services, for which there are a large number of products. In particular, many countries are focusing resources on establishing a PPI for computer services due to its large and generally increasing contribution to their gross domestic product (GDP). That work will also be very useful for developing improved deflators for software investment in the national accounts, which was identified at the 2002 meeting of the International Association for Official Statistics on the new economy as a major area of weakness.

B. Consumer price indexes

50. All countries include at least some services in their consumer price indexes (CPIs). Variations in the coverage of services can largely be attributed to conceptual and methodological difficulties encountered in constructing comprehensive measures for the strongly growing areas of financial and telecommunication services. However, very few countries would claim to be satisfied with their ability to consistently compile all of their service indexes to constant quality.

C. International work on services prices

51. The key players in furthering international cooperation and coordination on developments in service price indexes are Eurostat, OECD, IMF, the International Labour Organization (ILO), the Voorburg Group on Services Statistics and the Ottawa Group on Price Indexes. In an effort to bring a greater degree of coordination and cooperation in their development, Eurostat and OECD have

established a task force on service industry PPIs, with a particular focus on coordinating implementation work in that field within the European Union. The task force also has a brief to consider wider issues of international comparability across the OECD. The rejuvenation of ICP is also expected to prompt significant conceptual and practical measurement issues in future.

52. The Voorburg Group has played a major role in recent years in providing a forum for discussions on tackling the complex pricing issues unique to some particular industries for which PPIs are being developed. A key output of the Voorburg Group is the "principal paper", which presents best-practice methodology on pricing techniques within a particular industry, including a summary of how countries currently producing a price index for the industry have applied the various methodologies available to best fit the situation within their country. The documentation produced and inter-country contacts established through the Voorburg Group have been of great assistance to countries establishing new or reviewing existing service industry PPIs. Quality change in services industries is a key issue for discussion at the Voorburg Group meetings. There is a need to develop and document appropriate quality adjustment techniques.

53. In recent years, the Ottawa Group on Price Indexes has been particularly active in encouraging research on the production of price indexes for financial and telecommunications services. That agenda is being extended at the forthcoming meeting in Paris (May 2003) to include health and social services and the more general problems associated with coping with the complex pricing schemes that tend to be increasingly used by service providers.

54. A number of international manuals are currently being drafted. The Intersecretariat Working Group on Price Statistics is charged with responsibility for the revision of the ILO *Manual on Consumer Price Indices* and the preparation of an IMF manual on producer price indices. The bulk of the work on those manuals is being carried out under the auspices of two technical expert groups, one on the CPI with the ILO/ECE as secretariat and one on the PPI with the IMF as secretariat. Those manuals will prove useful references when establishing or reviewing price indexes for services, since they will contain detailed information specific to services.

55. Eurostat, OECD and the World Bank are coordinating the preparation of manuals for the construction of cross-country price comparisons.

56. In the last few years, producer prices have been one of the main focuses of the Voorburg Group. To help set their future work programme, specific questions for the Commission are:

- Should the Voorburg Group continue to focus on prices issues?
- What mechanisms are in place to coordinate Voorburg Group work on services prices with work undertaken by the Eurostat/OECD task force on services PPIs?
- How should work on developing improved deflators for software investment be carried forward?

VI. International trade in services

57. The Inter-agency Task Force on Statistics of International Trade in Services, established in 1994, has a broad base, comprising representatives from OECD (Convener), Eurostat, IMF, UNCTAD, the United Nations Statistics Division and WTO. The Task Force developed the MSITS,[2] which was published jointly by the six organizations electronically and free of charge in December 2002. The United Nations Statistics Division is currently preparing to publish the printed version for sale. MSITS provides international guidelines for the compilation of statistics on international trade in services. A more fully developed statistical framework for international services transactions would support trade negotiations and agreements.

58. The Task Force is now focusing on:

- Promoting implementation of MSITS through information posted on the web sites of its member agencies, the presentation of papers and participation at conferences and coordinated data collection by the member agencies.
- The preparation of compilation guidance.
- Considering ways in which technical assistance to countries might be facilitated.
- Preparing an appropriate framework for the compilation of data on the movement of natural persons to take up short-term employment.[13]

59. OECD has published trade in services by partner country and foreign affiliate trade in services for some countries. Eurostat publishes detailed data on trade in services with the main European Union partners, a detailed geographical breakdown of European Union trade for the main services items, and partial information on inward and outward foreign affiliates trade in services. IMF is planning to expand the databases on trade in services to collect trade data classified by the Extended Balance of Payments Services classification — an MSITS recommendation. UNCTAD collects data from countries on operations of transnational corporations, including those of foreign affiliates in the services sector.

60. There are a considerable number of other agencies with an interest in the field. The World Bank is becoming more involved in providing technical assistance and funding. Such organizations as the World Tourism Organization and the World Health Organization are also active in those areas relevant to their fields of interest.

A. Compilation guidance

61. The Commission has requested that the Task Force focus on the provision of compilation guidance. Eurostat is now developing an outline of a guide which will be discussed at the next Task Force meeting to be held in April 2003. For resident to non-resident trade in services, material will be drawn from, among other sources, the *Balance of Payments Compilation Guide*.

62. The World Tourism Organization has developed a model border survey that might be used to collect data suitable both for tourism statistics and for the travel component of the balance of payments. UNCTAD is developing guidance material on the compilation of foreign direct investment (FDI) and foreign affiliates trade in

services, a draft of which was used to train FDI statisticians of member countries of the Economic and Social Commission for Western Asia.

B. Movement of natural persons to take up non-permanent employment

63. Movement of natural persons covers individuals who are residents of one country and are employed by an enterprise in a second country to work in that second country on a non-permanent basis. Countries make commitments under the General Agreement on Trade in Services (GATS), and while some data are available from balance of payments statistics there is a need for development of statistics related to employment and income of foreign nationals. That is not well developed in MSITS and the Task Force is investigating ways to further this work. UNCTAD, with the contribution of relevant international organizations, is engaging in pilot studies at the regional and national levels to identify issues that may need to be addressed in developing a statistical framework. Discussions are being planned with the United Nations Statistics Division on the feasibility of future adaptation of migration statistics and with IMF on reviewing the definition of residence of temporary foreign workers in the *Balance of Payments Manual* context.

C. Foreign affiliate trade in services

64. As well as providing services by way of trade between residents and non-residents of an economy (measured in balance of payments statistics), enterprises in an economy may also supply services internationally through the activities of foreign affiliates abroad. MSITS recognizes this in its recommendations for foreign affiliate trade in services (FATS) statistics.

65. Although this is a less well-developed area, some statistics for foreign-owned affiliates in the compiling economy may be found in or derived from existing statistics on domestic production, including national accounts statistics. However, collection of information on the trade in services of a country's affiliates abroad typically requires dedicated collections. Very few countries conduct such collections.

66. The recommended basic FATS variables are sales (turnover) and/or output, employment, components of value added, exports and imports of goods and services, and number of enterprises (needs careful definition). Additional FATS variables identified are assets, compensation of employees, net worth, net operating surplus, gross fixed capital formation, taxes on income, and research and development expenditures.

D. Further developments

67. E-commerce and trade in software are two areas where the Task Force has identified a need for further investigation of the most appropriate statistical treatment. Countries currently classify trade in software to goods, computer services, and/or royalties and license fees. In addition, there are transactions related to the use of reproduced originals, in particular to reproduce software for further

sale. Work has been done on these issues by the Task Force on software that was set up by an OECD meeting of national accounts experts in 2000.

68. Further work is required on measuring trade in services statistics. The ways in which services are "exported" can be quite diverse and difficult to track (e.g., services provided via the Internet). Services, unlike goods, do not usually get registered at custom points. Coverage is a particular problem, with transportation a long-standing global discrepancy. Further development work is also required in particular areas, such as financial, insurance, Internet-related and environment-related services.

69. In recent years, the international community has been very active in addressing trade in services issues. Specific questions for consideration by the Commission are:

- Are there any areas of MSITS that require further development (e.g., movement of natural persons to take up non-permanent employment, Internet transactions) or further coordination?
- Is the Commission comfortable with the attention provided to the provision of compilation guidance (e.g., through the *Balance of Payments Compilation Guide*)?

VII. Other conceptual and measurement issues

A. Definition and measurement of ICT

70. Although a number of countries have been active in the area of ICT statistics, there seems to be growing recognition that OECD is leading the way in standard-setting. OECD has been addressing the need for international standards for ICT statistics for a number of years, with the first OECD meeting on indicators for the information society held in June 1997, an ad hoc meeting held under the aegis of the newly created Information, Computer and Communications Policy Statistical Panel. The aim of the Panel was to establish a set of definitions and methodologies to facilitate the compilation of internationally comparable data for measuring various aspects of the information society, the information economy and electronic commerce. In 1999, the ad hoc group became the Working Party on Indicators for the Information Society (WPIIS).

71. The current ICT data framework can be viewed in economic terms as the set of ICT goods and services produced, consumed and traded. Production includes output from ICT industries and from electronic content industries (together comprising information industries). The production aspect is often referred to as the supply side. Consumption includes use of technologies, including e-commerce activities. On the supply side, most WPIIS effort has been on defining the ICT sector, both in terms of industry classes and commodities produced. On the demand side, work has been undertaken on defining and measuring e-commerce and on developing model questionnaires of household and business use of ICT.

72. Achievements of WPIIS in the areas of standards and dissemination include an activity-based definition of the ICT sector; a broad level classification of manufactured ICT commodities; broad and narrow definitions of e-commerce transactions; a partial set of core e-commerce indicators for businesses and

households; model questionnaires for collecting business use of ICT and e-commerce statistics, and for collecting statistics on household and individual use of ICT; publication of ICT industry and activity statistics for member countries; and a compendium publication, *Measuring the Information Economy 2002*, containing demand and supply side ICT data for national statistical organizations and available free on the web at www.oecd.org/sti/measuring-infoeconomy.

B. Knowledge-based economy and society measurement

73. There is no internationally agreed framework for measuring the extent to which an economy or society is knowledge-based. Considerable effort has been made by national and international organizations to measure the knowledge-based economy. Less work has been undertaken on measuring a knowledge-based society.

74. In reviewing international contributions in this area, Australia[14] found that various compilations of knowledge-based economy statistics have been developed, many of which are based on the 1996 OECD definition of a knowledge-based economy.[15] Some are more heavily focused on ICT as the main driver of growth in a knowledge-based economy. Others acknowledge ICT as an enabling technology of a knowledge-based economy but also encompass other factors as contributing to economic growth (e.g., employee skill levels, knowledge creation in the form of research and development and innovation, knowledge and technology transfer).

75. Although most of these compilations could probably be described as "descriptive frameworks", the majority are implicit rather than explicit frameworks. That is, the framework is defined in terms of the statistics which it presents rather than being derived on the basis of theory or empirical evidence. A notable exception is the Asia-Pacific Economic Cooperation (APEC) Economic Committee's 2000 knowledge-based economy framework,[16] which is based on empirical evidence.

C. Definition and measurement of innovation activity

76. Innovation has been defined as the application in any organization of ideas new to it, whether they are embodied in products, processes, services or in the systems of management and marketing through which the organization operates.[17] Innovation is a central characteristic of a successful modern economy. It is not confined to manufactured products and is much more than research or mere invention. Much less analysis has been done on innovation in services than in manufacturing, where innovation is easier to recognize and measure.[18] A key factor in the expansion of service industries has been organizational innovations that have led to gains in efficiency and competitiveness, notably the introduction of electronic commerce.

77. Industry and science and technology policy makers around the world have been placing increasing pressure on national statistical agencies to provide adequate measures of innovation. Although the lead has come from within the European Union through its series of community innovation surveys, user pressure has also been felt in many other countries, particularly Canada, New Zealand and the United States.[19] Consequently, there has been a joint development by OECD and Eurostat of a still evolving set of guidelines for measuring innovation, the so-called *Oslo Manual*.[20] A deficiency of the *Oslo Manual* is that its focus on technological

innovation does not apply to significant innovations in services (e.g., restructuring distribution and introducing e-commerce), although it is expected that that will be addressed in the revision of the *Manual* that is about to begin. There is also a long-standing question of whether research and development, an important service activity, can be better integrated into the national accounts framework.

D. Satellite accounts

78. It is becoming more important for statistical agencies to provide statistical information on services activities for particular sectors, including specialized sectors, such as tourism, ICT, health, education, environment and non-profit. Sectoral gaps in the services sector have been identified in some of those areas and statistical agencies are struggling to fill them. A satellite account approach has been successful for such sectors. No single classification system can satisfy all users, but alternatives or non-standard groupings can offer a practical and suitable solution.[21] That is not to say that this statistical need should not be taken into account during the development of the 2007 ISIC and CPC.

79. The area of satellite accounting that has received the most attention to date is tourism. A comprehensive set of internationally accepted guidelines has been released in *Tourism Satellite Account: Recommended Methodological Framework*.[22] A number of countries have now developed tourism satellite accounts (TSAs), including Australia, Canada, France, New Zealand, Norway, Spain, Switzerland and the United States, and a substantial number of others are in the process of developing TSAs. Another area of satellite account activity where methodological frameworks have been developed to an extent that an internationally agreed handbook has been issued relates to the activity of non-profit institutions. Australia has recently released a non-profit institution satellite account, and work in some other countries, particularly Canada, is well advanced (more is said on this subject below). The OECD System of Health Accounts could be regarded as a framework for a satellite account, and many countries are now following that system in their international reporting.

80. Other areas of satellite accounting for services are less well developed internationally. France and the United States have produced satellite accounts for transportation, but we are not aware of any other countries actively working in the field. Australia has been developing an information and communication technology satellite account, and some initial steps have been taken to develop frameworks for an education and training satellite account.

81. The international community needs to decide if there is value in developing frameworks for further satellite accounts and how to advance them in the most effective manner. Experience has shown that active leadership needs to be taken by an international organization, a research institute or a country to progress the work through to a set of internationally accepted guidelines.

E. Globalization

82. In the past three decades, there has been a pronounced change in the world economy. There has been an increasing cross-national spread of products, markets, firms and factors of production, resulting in globally integrated production networks

controlled by multinational corporations. Globalization activity can be broadly divided into three main areas — trade, direct investment and the activity of multinational firms, and the international dissemination of technology. The measurement of FATS is one of the key elements of the globalization framework.

83. The international economic and statistical community has been looking at ways to define and measure globalization activity for some time. OECD has released the draft manual on economic globalization indicators, and is seeking to finalize it shortly.

F. Non-profit institutions

84. Non-profit institutions (NPIs) are recognized as an important part of the social fabric in many nations, often playing an important role in providing health, education, social welfare and recreation and cultural services. While some NPIs operate in the market by selling goods and services at economically significant prices, many provide services free of charge and are funded by government and community grants, donations and subscriptions, and from services provided free by volunteers.

85. The 1993 SNA recognized the special characteristics and growing role of non-market NPIs serving households by introducing a new institutional sector in the national accounts — "Non-profit institutions serving households" (NPISH). Previously, NPISHs were included along with households and unincorporated enterprises in the households sector. However, many statistical agencies have yet to implement the 1993 SNA recommendations regarding the new sector. Although the implementation of the 1993 SNA recommendations would be a major advance in the information available, it would still fall short of a set of statistics on all NPI entities. This is because market NPIs would remain subsumed within the financial and non-financial corporations sectors, and non-market NPIs serving government within the general government sector.

86. There is growing interest in data on the activities of NPIs as a group, in recognition of which the *Handbook on Non-profit Institutions in the System of National Accounts* was released, in draft form, by the United Nations Statistics Division in March 2002. It was written in close collaboration with the Johns Hopkins University Center for Civil Society Studies, which has been the leading research organization in the field for many years. The *Handbook* provides conceptual and classification frameworks and advice on implementation, and should provide impetus to the further development of data for NPIs, both in the context of the national accounts and more generally.

87. There are a number of practical issues that need to be further examined as countries move to implement the framework. Further international discussion will need to occur if international comparability of estimates is to be achieved. Some issues include:

- Scope and classification, particularly the boundary between market and non-market organizations and general government units and NPIs.
- The development of statistical registers of NPIs.

- Adapting industry surveys to collect information for NPIs (industry surveys are typically designed around the activities of market producers).

88. A number of key conceptual and measurement issues have been identified above. Specific questions for the Commission include:

- For the priority areas identified, is there sufficient work internationally on addressing the issues?
- Are there other priority conceptual and measurement areas impacting on the services sector?

VIII. Developing countries

89. In many developing economies, as in developed economies, service industries account for over 50 per cent of GDP. Services are also generally the fastest growing sector. However, the quality of data on services is often inadequate for policy development, especially in comparison with data on manufacturing, resources and agriculture.

A. Impact of ICT

90. A major driver of the growth in services trade has been information and communications technology, which enables the activities of whole sectors of the economy — including banking, accounting and computer programming — to be carried out anywhere in the world and delivered to customers in a matter of seconds. Electronic commerce, a hallmark of the new economy, widens the scope of such trade to many other sectors. Thus, technology is creating a borderless economy in many services, which will raise their economic importance in some developing countries while making it more difficult but more urgent to obtain better statistics on those industries.

B. Informal sector

91. The contribution of the informal sector is also often not adequately captured in official statistics. To promote better public understanding of — and public policy responses to — the informal sector, improved statistics on the size, contribution and characteristics of the informal sector are needed.[23]

92. The Delhi Group on Informal Sector Statistics is working on concepts and measurement issues for improving the quality and comparability of informal sector statistics, including survey methodologies that take into account the 1993 SNA and the resolutions of the International Conference of Labour Statisticians.

C. Non-observed economy

93. For some years, OECD has been working with transition and developing countries to improve measurement of the "non-observed economy" (NOE). As defined by OECD, the NOE includes the informal sector but is much broader in that it also covers underground and illegal activities. It also covers other activities that

are missing from official statistics, either because they fall below a size threshold for surveys or because the survey frames or collection procedures are faulty. In general, most of the NOE involves service production — trade, transport, home repairs and personal services.

94. Although most countries make efforts to cover some part of the NOE in their national accounts, it is certain that coverage is inadequate in most developing and transition countries. OECD organized an international team to identify best practices for measuring the NOE, and in 2002 published a handbook on measuring the NOE. OECD will launch several initiatives in 2003 to help countries implement the recommendations of the handbook. Initially, they will be focused on the countries of the former USSR and the West Balkan countries.

95. Specific questions on services statistics for developing countries are:

- Are there particular conceptual issues relating to measuring services in developing countries that need to be addressed? What are the best mechanisms for progressing the work?
- Is adequate guidance available to developing countries on practical measurement issues for services statistics?

IX. Conclusion

96. There are clearly many worthwhile initiatives that have been completed in recent years or are currently under way which will significantly improve the cause of services statistics internationally. The Commission can be pleased with the progress made by international agencies, task forces and other expert groups. The present report has highlighted, however, a number of areas where we might seek to improve our collective efforts.

97. The relevant questions raised at the end of each section of the report have been broadly summarized into the following three questions (members may still wish to reference individual questions during discussion of the present report).

98. The main issues are:

- Whether the international statistical community needs to increase the priority of and resources devoted to services statistics. For instance, establishing the concepts, frameworks and techniques required for the measurement (including classification) of service activities in the economy, expanding measures of international trade in services, specialized sectoral work on, for example, tourism, ICT, health, education. Whether there is also a need to review associated data-collection activities undertaken by international organizations for analytical purposes so as to better reflect the economic importance of services. If more work is to be done, then what work should be undertaken and who should do it?[13]
- Whether current coordination mechanisms could be made more efficient. What mechanisms could be put in place to ensure that the large number of expert groups reviewing different aspects of service statistics work in a coordinated way to avoid duplication of effort and ensure more coverage of issues? Should there also be greater membership of expert groups outside Europe and North America? How can their agreed conceptual or

methodological outputs be best communicated to all the countries that need them (e.g., via an international agency creating a web page with links to current work)?[13]

- **Given the importance attached to extending the range of service statistics by national Governments, especially measurement of trade in services and services output, how might the provision of practical measurement guidance to developing countries be coordinated?[13]**

Notes

[1] See second report of a working group involving the European Union, United States and Canadian statistical agencies on the convergence of industrial classification between NACE and NAICS (E/CN.3/2002/21).

[2] European Commission, International Monetary Fund, Organisation for Economic Cooperation and Development, United Nations, United Nations Conference on Trade and Development and World Trade Organization, *Manual on Statistics of International Trade in Services*, final unedited version (Paris, 2001).

[3] IMF Statistics Department, paper for an IMF Balance of Payments Committee meeting, October 2002.

[4] See Van Laanen J., "Existing gaps in services statistics and how to bridge them: the Dutch approach", paper presented at a Voorburg Group meeting, Copenhagen, 1997.

[5] See OECD Short-term Economic Statistics Expert Group, draft summary of future activities (Paris, 2002).

[6] See T. Viitaharju, "Managing administrative sources, the business register as a link between economic and social statistics", paper presented at the Sixteenth International Round Table on Business Survey Frames, Lisbon, 2002.

[7] See B. Lundstrom, S. Rikama and C. Hertzman, "Pilot surveys on business services enterprises: data collection on products and clients", a paper presented at Voorburg Group meeting, Nantes, 2002.

[8] See J. Ryten, S. Nijhowne and S. Rikama, "The Voorburg Group's tenth anniversary: a review of achievements", paper presented at a Voorburg Group meeting, Voorburg, 1995.

[9] See Voorburg Group, minutes of the thirteenth meeting on service statistics, Rome, 1998.

[10] See OECD Short-term Economic Statistics Expert Group, background paper (Paris, 2002).

[11] Eurostat, *Handbook on Price and Volume Measures in National Accounts* (Luxembourg, 2001).

[12] See W. Cave, "OECD-Eurostat 2002 inquiry on national collection of services producer prices: preliminary report", paper presented at a Voorburg Group meeting, Nantes, 2002.

[13] See OECD, "Programme of review of services statistics for the Statistical Commission", paper prepared for an inter-agency meeting on the coordination of statistical activities, Paris, 2002.

[14] See Australian Bureau of Statistics, *Measuring a Knowledge-based Economy and Society: An Australian Framework* (Australia, 2002).

[15] See OECD, *The Knowledge-based Economy* (Paris, 1996).

[16] See APEC Economic Committee, "Towards knowledge-based economies in APEC" (Singapore, APEC Secretariat, 2000).

[17] See C. Maguire, E. Kazlauskas and A. Weir, *Information Systems for Innovative Organizations* (Academic Press, 1994).

[18] See OECD, "Innovation and productivity in services", proceedings of a workshop held in Sydney, November 2000 (Paris, 2001).

[19] See D. Guellec and B. Pattinson, "Innovation surveys: lessons from OECD countries' experience", *OECD STI Review*, No. 27 (2001).

[20] See OECD/Eurostat, *Oslo Manual: Proposed Guidelines for Collecting and Interpreting Technological Innovation Data* (Paris, 1997).

[21] See minutes of the twelfth Voorburg Group meeting on service statistics, Copenhagen, 1997.

[22] See Eurostat, OECD, United Nations and World Tourism Organization. *Tourism Satellite Account: Recommended Methodological Framework* (Luxembourg, Madrid, New York, Paris, 2001).

[23] See WIEGO web site, "Programme areas: statistics", at http://www.wiego.org/main/areas5.shtml.

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Report of the World Bank

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-third session,** the Secretary-General has the honour to transmit the report of the World Bank on the International Comparison Programme (ICP). The Commission is requested to review the progress made in ICP and consider further recommendations for its implementation.

* E/CN.3/2003/1.

** See *Official Records of the Economic and Social Council, 2002, Supplement No. 4* (E/2002/24), para. 1.

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International Comparison Programme

Report of the World Bank

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I. Introduction

1. At its thirty-third session, the Statistical Commission reaffirmed its continued support for a credible International Comparison Programme (ICP) and agreed that the financial and in-kind support already secured as a result of fund-raising activities of the World Bank should provide adequate resources. In particular, the Commission:

(a) Welcomed the work of the World Bank and recognized that the Bank's efforts have led to considerable progress in developing an overall approach and strategy for the implementation of a global ICP;

(b) Supported moving ahead as soon as possible with the launch of a new round of ICP in the period 2002 to 2005, but in a time frame that allowed for the need for high-quality data to be produced;

(c) While supporting the implementation of a comprehensive ICP, stressed that a balanced approach was needed between the geographic coverage and scope of aggregates, on the one hand, and the credibility, quality and timeliness of results on the other, and suggested that the first priority was to collect purchasing power parity data on consumption data;

(d) Endorsed the selection of the World Bank as the most appropriate location for the international secretariat for the global coordination and management of ICP;

(e) Extended the term of the existing Friends of the Chair group until the establishment of an international governing body;

(f) Supported the arrangements for regional management and welcomed statements that countries were committed to participate and were ready to move ahead with preparations;

(g) Stressed the potential capacity-building capability of ICP in developing countries.

2. The present report describes the work carried out in response to the Commission's decisions and recommendations, and invites the Commission to review the progress that has been made to date and to consider a number of further recommendations to maintain the rate of progress so that a new round of ICP can be launched in mid-2003.

II. Overall strategy

3. The overall approach and strategy for a new round of ICP was discussed by the Commission at its thirty-second session and was modified to take into account the comments and recommendations of the Commission and the Friends of the Chair group. The revised strategy was then endorsed by the Commission at its thirty-third session.

4. Key elements of the strategy include:

(a) Building a coalition of stakeholders;

(b) Building links between ICP and national statistical activities and using it to help build capacity;

(c) Providing adequate incentives for countries to participate;

(d) Ensuring adequate resources for overall coordination and management;

(e) Carrying out research and development to address important technical problems and issues.

III. Research and development

5. A number of research papers and pilot studies have been completed to review outstanding issues related to the survey framework; the compilation of expenditure weights at the basic-heading level; and alternative regional linking procedures. An international conference was held in Washington, D.C., from 11 to 13 March 2002, to discuss and comment on the findings of recent papers and pilot studies. Twenty-two papers and pilot studies were presented with a view to establishing clarity on outstanding issues, and consensus was reached in a number of areas.[1]

6. An expert group meeting was held in Washington, D.C., from 11 to 13 July 2002, to follow up on the recommendations of the conference and help to make the transition from the conceptual discussion to a practical ICP handbook. The group provided concrete recommendations that helped to steer the preparation of the ICP handbook and establish firm directions for the implementation of ICP.

7. The handbook aims to establish a set of principles and operational procedures that can guide data collection and processing and document best practices, and can serve as a comprehensive reference material and a step-by-step compilation guidebook. A detailed and comprehensive outline of the handbook has been prepared and widely circulated for discussion. Consensus has been achieved on the general structure and content of the draft. A small group of experts, led by a senior editor, is currently working on a draft.

8. It is agreed that it is neither feasible nor necessary that the handbook should be complete in its entirety before ICP is launched. First priority is given to chapters necessary for conducting the first regional workshops. As such, the handbook would be "live" and will be revised and enlarged over time. The working draft will be ready by the end of March 2003. It will be translated into six languages: Arabic, Chinese, French, Portuguese, Russian and Spanish. The first version of the handbook will be disseminated ahead of the regional workshops that are planned to take place after mid-2003.

9. Data collection and processing software (the CPI/ICP *ToolPack*) has been under development. The beta version has been released and will be tested in 12 countries. The final version will be ready by February 2003. The primary objective of the *ToolPack* is to improve national and international data work. It will enable national price statisticians to collect domestic consumer price index (CPI) price (and quantity or expenditure) data as well as ICP price data using a common computer programme that can be adapted to both purposes. Countries will be encouraged to

use the *ToolPack* for their own CPI programmes, and it is expected that there will be worldwide benefits due to the implied harmonization in constructing CPIs. Data quality will also be enhanced because of the built-in checks in the software. Once the basic data have been entered, it will be a trivial matter to construct the final index and data production will become more timely.

IV. Governance structure of ICP

10. A paper setting out the proposed governance structure for ICP was prepared by the World Bank and discussed and agreed with the Friends of the Chair at a meeting held in Paris in June 2002. The basic structure proposed is as follows:

- The **ICP Council**, with its broad representation of sponsors, users, donors and other stakeholders, will be the ultimate "owner" of ICP, equivalent to the annual general meeting of shareholders in a corporation. Its main roles will be to provide a forum where the views of the stakeholders can be expressed, to confirm or otherwise amend the mandate and accountability mechanisms for the Executive Board and to ensure that ICP has adequate resources.
- The **ICP Executive Board**, equivalent to the board of directors in the corporate model, will be responsible for the successful implementation of ICP.
- The ICP **Global Office**, headed by the **ICP Global Manager**, will manage ICP on a day-to-day basis. It will report to the Executive Board and will prepare annual work programmes and budgets for their approval.
- The **Technical Advisory Group** will provide guidance on technical issues and will monitor the use of appropriate methodology.
- **Regional implementing agencies** will be responsible for setting up the structures required to implement and monitor ICP at the regional level. Each regional agency will establish a **regional ICP office** headed by a **regional coordinator**. Regional agencies will also be encouraged to set up regional committees to maintain contact with participating countries.
- Within participating countries, ICP will be carried out by a national implementing agency that will nominate an ICP coordinator.

V. Global management

11. The **ICP Council** will be the highest body of ICP and will include representatives of all stakeholders. It will not be an executive body and will not be involved in day-to-day management or with methodological issues. Rather, the Council will be both the project's client and its ultimate custodian. Formally, the Council will be responsible for the fulfilment of the ICP mission and for making sure that its image is commensurate with the role it plays in shaping assessments of the world economy. Through the representation of all the major players, the Council will also provide the mechanism for keeping all parties involved and informed and for ensuring that the ICP Executive Board and management can rely on high-level support.

12. Membership of the Council will be inclusive rather than exclusive, with up to 50 members, and constituencies, both geographic and functional, will be invited to make nominations for Council membership for the duration of the ICP round. It is expected that the Council will meet about once a year or at the beginning, mid-term and end of the ICP round. It will, however, have longer-term responsibilities, and in particular will review proposals for continuing activities beyond the next round based on the recommendations of the external evaluation.

13. The **ICP Executive Board** will be the decision-making and strategic body of ICP.[2] As such it will be responsible for ensuring that ICP is completed on time and within budget, and that it provides high-quality purchasing power parity (PPP) data for dissemination.

14. The structure and composition of the Executive Board was developed in close collaboration with the Commission's Friends of the Chair group. Membership of the Board will reflect the composition of the regions taking part in the global programme, but all members will be elected to serve for three years in their own individual capacities. The Board will consist of 16 members, who are eminent economists and/or statisticians and experienced statistical managers. Suitable candidates have been identified and contacted. Most are chief statisticians or managers of statistical operations with skills and experience of direct relevance to ICP. An official invitation to join the board will be sent out by December 2002, and the first formal meeting of the Board is due to be held on 27 and 28 February 2003 in Washington, D.C.

15. The Executive Board will be supported by the **Technical Advisory Group**, consisting of no more than five internationally recognized ICP experts, who will advise on issues involving the standards, methods and procedures required by ICP. In addition, the group may propose research or analysis that it believes is necessary if ICP is to continue evolving in the face of changing circumstances and providing better solutions to its users' concerns.

VI. International ICP secretariat

16. Following the recommendation of the Commission at its thirty-third session, an international secretariat of ICP has been created and is housed in the headquarters of the World Bank in Washington, D.C. The Global Manager has been appointed and assumed his position on 4 November 2002. Mr. Fred A. Vogel, an American national, was selected through a competitive process managed by a subcommittee of the Friends of the Chair group and the Director of the Development Data Group of the World Bank.

17. Mr. Vogel brings to ICP considerable experience in the international statistical field, expertise in statistical theory and a strong background in the management of large-scale data collection programmes.

VII. Regional management

18. In line with previous practice and the overall strategy approved by the Commission at its thirty-third session, ICP will be organized on a regional basis. In each of five regions — Africa, Asia and the Pacific, the Commonwealth of

Independent States, Latin America and the Caribbean, and Western Asia — regional implementing agencies will take responsibility for the implementation of ICP and the coordination of activities and liaison with participating countries. Regional implementing agencies will establish regional ICP offices, with appropriate staffing and other resources to implement and monitor ICP at the regional level. Implementing agencies are expected to set up regional committees to provide a mechanism for involving participating countries, fostering a process of ownership of both ICP and its results, and maintaining information flows in both directions.

19. In **Africa**, the lead agency for ICP-Africa is the African Development Bank. It works in close collaboration with the Economic Commission for Africa. A regional meeting was scheduled to be held from 2 to 4 December 2002 in Addis Ababa, Ethiopia to establish the regional governing board and to discuss the regional strategy and work plan. Representatives from all key international, regional, subregional and national statistical institutions were due to attend.

20. For **Asia and the Pacific**, the regional programme is coordinated by the Asian Development Bank, in close collaboration with the Economic and Social Commission for Asia and the Pacific (ESCAP), the Australian Bureau of Statistics (ABS), the Statistical Institute for Asia and the Pacific and other regional agencies. Discussion is under way to establish a regional governing board, consisting of representatives of national statistical offices, regional agencies, international organizations and members of the donor community. The structure and composition of the Regional Governing Board was due to be discussed at the ESCAP Committee of Statistics meeting held in Bangkok, Thailand, from 27 to 29 November 2002. A follow-up meeting of key regional sponsors was expected to be hosted by ABS in the first week of February 2003 to discuss and agree on the modalities of cooperation.

21. **The Middle East**. The Economic and Social Commission for Western Asia is in charge of the regional work for the Western Asia region, and is working in close collaboration with the Arab Fund for Economic and Social Development. A regional meeting was due to be held in January 2003 to establish a regional governing board and discuss the implementation of the regional work plan.

22. **Latin America and the Caribbean**. The Economic Commission for Latin America and the Caribbean has drafted a regional proposal and work plan for Latin America and the Caribbean (ICP-LAC). The proposal was due to be presented at the meeting of the Executive Committee of the Statistical Conference of the Americas held on 11 and 12 December 2002 in Panama City. The Executive Committee of the Statistical Conference considered a proposal to set up an executive board for ICP-LAC. A regional ICP-LAC meeting is to be held in February 2003.

23. **Commonwealth of Independent States (CIS)**. Work in the CIS region is jointly coordinated by the CIS Statistical Committee and by the Russian *Goskomstat*, with assistance from OECD. A proposal for the regional work programme (ICP-CIS) was due to be discussed at the meeting of the Statistical Committee of CIS held on 18 and 19 November 2002.

VIII. Country participation

24. In keeping with previous rounds, the proposed global programme will be organized by regions within the general framework of the global programme; 120 countries are expected to take part in the five regions. By the end of November 2002, over 100 countries had expressed their intentions and interest in participating in their respective regional programmes. Discussion is under way between regional implementing agencies and countries that have shown interest but have yet to make a firm commitment.

25. Participating countries will be divided into three broad categories in each region, according to their statistical capacity to undertake ICP surveys. Countries with a relatively developed statistical infrastructure will be recruited to participate in a full-scale ICP survey, covering total consumption, government expenditure, capital formation and net export. Those with relatively less developed statistical systems will be encouraged to concentrate their resources on getting good quality data for the consumption items only. Countries with a relatively weak statistical infrastructure will take part in a limited way on an experimental basis with a view to preparing themselves for future rounds. A comprehensive statistical assessment is being conducted in Africa to determine the level of countries' participation. Other regions are expected to undertake similar assessments.

IX. Financing

26. The success of the global programme depends on the collective commitment of all partners of ICP in mobilizing adequate financial and other resources. Substantial progress has already been achieved on the fund-raising front, although much still remains to be done. At the time of writing, progress in mobilizing funds at all levels was beyond that anticipated by the original proposal prepared almost two years ago. In that proposal, the overall budget for ICP was estimated at about US$ 14 million in 2001 prices, over a period of three years.

27. Subsequently, fund-raising efforts have taken place at the global, regional and national levels. Regional implementing agencies have also prepared more detailed cost estimates, based on the work programmes agreed within their constituencies. As a result, the overall budget has increased: for example, the budget for ICP-Africa alone is now in excess of $14 million.

28. At the global level, the World Bank established an ICP trust fund to cover both global management and some regional activities; the target for the fund is about $8.7 million. Contributions have already been received from a number of different agencies and further fund-raising is being actively pursued.

29. At the regional level, a parallel fund-raising effort is in progress. Expressions of support and actual contributions are sufficient to cover the budgets in most regions.

30. Overall, progress so far shows that we can safely proceed with ICP and expect to attract adequate funding support for the completion of the proposed three-year programme.

Notes

[1] The papers, report of the conference studies and related materials can be accessed from the ICP web site: worldbank.org/data/icp/papers.htm.

[2] The Friends of the Chair group appointed by the Commission has acted as a de facto Executive Board until the Board is formally constituted and the members are appointed. Once the Board meets formally, as agreed by the Commission at its thirty-third session, the term of the Friends of the Chair group will come to an end.

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Item 4 (f) of the provisional agenda*
Economic statistics: international merchandise trade statistics

Report of the Task Force on International Trade Statistics

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-third session,** the Secretary-General has the honour to transmit the report of the Task Force on International Trade Statistics. The Commission may wish to comment on the work and plans of the Task Force, in particular the proposed development of a manual on international trade index numbers.

* E/CN.3/2003/1.
** See *Official Records of the Economic and Social Council, 2002, Supplement No. 4* (E/2002/24), chap. I, sect. A.

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Report of the Task Force on International Trade Statistics[1]

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I. Follow-up to requests by the Commission

1. The Commission last addressed international merchandise trade statistics at its thirty-first session, at which it:[2]

(a) Restated its request that the treatment of electronic commerce in international trade statistics be clarified, particularly in terms of defining its coverage and methods of data collection. The Commission noted that the issue would be addressed at the next meeting of the Task Force and in the compilers' manual that was being prepared;

(b) Welcomed the data set of international trade statistics according to the Central Product Classification (CPC) produced on a CD-ROM by the United Nations Statistics Division for test use by economists and statisticians, and requested the Division to report back to the Commission on the reaction of users as part of a review of the usefulness of CPC data for analytical purposes;

(c) Expressed concern that the liberalization of trade and the consequent reduced incentive to secure accurate records of trade transactions could have a negative impact on the quality of international trade statistics. The Commission requested the Task Force to address that issue, to consider the alternative sources of international trade statistics to supplement the customs-based data, and to reflect the outcomes in the compilers' manual.

A. Electronic commerce

2. The Task Force discussed the impact of e-commerce on international trade statistics. Goods ordered online but declared at customs for cross-border passing should be treated in the same way as any other good, following the recommendations made in the *International Merchandise Trade Statistics, Concepts and Definitions, Revision 2* (IMTS, Rev.2). Responding to the significant increase in small parcel shipments through online ordering, customs authorities have reacted with increased scrutiny, which promotes statistical coverage. The treatment of digitized products, however, is considered outside the scope of IMTS, Rev.2 and the forthcoming compilers' manual. The question is whether those products are considered goods, services, or a new category. To explore that issue further, the Task Force considered it of interest to collect information on country practices, and also felt that collaboration with other groups would be appropriate. The Task Force suggested, therefore, that the next meeting of the Organisation for Economic Cooperation and Development (OECD) on international trade statistics, to be held in April 2003, take up that issue in an overlapping session with the OECD trade in services meeting.

B. International trade statistics according to the Central Product Classification

3. The Division produced a CD-ROM containing trade data for selected countries according to CPC and circulated it to about 30 countries and 13 international organizations. The feedback received, however, indicated no strong demand for those data at that time. It was therefore decided not to reproduce the CD-ROM.

C. Alternative trade data sources

4. Chapter 4 of the forthcoming compilers' manual includes a description of non-customs sources for data collection.

II. Other outcomes and activities

A. Compilers' manual

5. The compilers' manual has been completed and is in the editing and translation process at the United Nations; it is to be issued in 2003. The Division is holding regional seminars to accompany the issuing of the manual. A supplement to the manual is planned, which will include country studies and other materials and will deal with issues not fully treated in the compilers' manual.

B. Flow of data among international organizations

6. OECD and the United Nations Statistics Division have further enlarged their data-sharing agreement. At the time of the last Task Force meeting, in March 2002, that arrangement had been implemented for all but seven OECD countries (Mexico, the United Kingdom, the United States, Greece, Denmark, Austria and Australia). After consultations in October 2002, the Division and OECD agreed that the Division would source from OECD the remaining countries, except Mexico (which is sourced through the Economic Commission for Latin America and the Caribbean) in 2003. The ultimate goal remains to extend that common data sourcing to common data-processing procedures.

7. The Division continues to source its aggregate exports and imports data from the International Monetary Fund (IMF) as published in the IMF monthly *International Financial Statistics*.

8. To facilitate the use of detailed harmonized data produced by the Statistical Office of the European Communities (Eurostat) for the European Union (EU), the Division is now storing and updating those data in the Commodity Trade Statistics Database of the Division (Comtrade) format on the mainframe at the International Computing Centre. Eurostat is supplying those data to the Division on a regular basis. A number of agencies are now publishing the harmonized data for the EU in varying degrees of detail.

9. The members of the Task Force have continued using their contacts with countries to improve the coverage of Comtrade. In addition, the Task Force recognized that there is often a considerable time-lag between data release at national level and data receipt at international level, which can have a significant impact on the soundness of the international trade data fed into global policy analysis. Statistics produced for the 2001 OECD international trade statistics meeting showed that generally less than 50 per cent of foreign trade data of OECD members were submitted within the first six months after the corresponding reference year. A joint statement by the World Trade Organization (WTO)/OECD/United Nations Statistics Division brought that time-lag issue to the attention of the data providers present. Since then, an improvement in the gap

between release data and submission data for some significant traders has been observed.

C. Statistical Territories of the World for Use in International Merchandise Trade Statistics

10. The publication has been issued. The Task Force suggested including customs unions that publish aggregate trade data in the next revision of the publication.

D. Simplification of data elements in customs procedures

11. Following the "G7 customs data harmonization initiative", the Task Force investigated the impact of the standardization and simplification of customs data elements on statistical requirements. It came to the conclusion that the streamlining of the data elements would not result in a loss of statistical information.

E. Harmonized Commodity Description and Coding System

12. The World Customs Organization has informed the Task Force that the 2007 revision has already started and that the high technology area, i.e., chapters 84, 85 and 90, would be revised in detail. The Task Force noted that the cumulative revisions in the Harmonized System may call for the preparation of a fourth revision of the Standard International Trade Classification, for use in 2007.

F. Technical assistance

13. The Task Force regularly exchanges information on technical assistance activities. With a view to ascertaining the feasibility of joint activities, Task Force members agreed to post their annual technical assistance activities to the Task Force's electronic discussion group forum. A number of joint activities have been carried out.

14. The Task Force discussed and provided comments to IMF on the newly developed data quality framework on international merchandise trade statistics. Such a framework could serve twofold purposes, that is, the identification of technical assistance needs of countries and the evaluation of technical assistance activities.

G. Index numbers of international trade

15. The United Nations Statistics Division collected information on national practices in compiling and disseminating index numbers of merchandise trade. The results of that survey will be issued as a United Nations publication (a draft of the publication is under final review). The Task Force identified the need for a manual on international trade indices. Such a manual could be developed through an inter-agency effort. IMF agreed to explore the possibility of leading that effort.

H. Inter-agency data set on aggregate merchandise trade

16. The Task Force has agreed to collaborate in the development of a joint data set on aggregate merchandise exports and imports. It is envisaged to jointly disseminate the common data set, similar to the Bank for International Settlements/IMF/OECD/ World Bank data set on external debt, through a trade portal on the Internet. The principal objectives of that collaborative effort are to bring about significant improvements in the coverage, consistency, comparability and transparency of aggregate merchandise trade statistics available for analysts, policy makers and other users, and to provide national authorities with the possibility of reviewing the use of their data in an international context. A project statement and initial work breakdown structure have been developed and agreed upon. A first prototype core data set, covering the period 1995-2001, is to be finalized among the initial data providers (United Nations Statistics Division, United Nations Conference on Trade and Development, OECD, WTO) by the end of March 2003. The Task Force meeting planned for April 2003 will then review the core data set, confirm the country allocation among international organizations and address dissemination. The data set will be developed further on an incremental basis.

I. Meta-data in international trade statistics

17. Within the context of enhancing data quality and timeliness, the Task Force discussed the issue of meta-data. OECD volunteered to propose draft terms of reference for a possible Task Force project on statistical meta-data, drawing on progress made in that area within OECD's new statistical strategy.

III. Points for discussion

18. The Commission may wish to comment on the work and plans of the Task Force, in particular the development of a manual on trade indices.

Notes

[1] Prepared by the World Trade Organization (Convener).

[2] See *Official Records of the Economic and Social Council, 2000, Supplement No. 4* (E/2000/24).

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Economic statistics: statistics of international trade in services

Report of the Task Force on Statistics of International Trade in Services

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-third session,** the Secretary-General has the honour to transmit the report of the Task Force on Statistics of International Trade in Services (Convener: Organisation for Economic Cooperation and Development). The Commission may wish to review the programme of work of the Task Force.

* E/CN.3/2003/1.

** See *Official Records of the Economic and Social Council, 2002, Supplement No. 4* (E/2002/24), para. 1.

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Report of the Task Force on Statistics of International Trade in Services

Introduction

1. The Task Force on Statistics of International Trade in Services has developed the *Manual on Statistics of International Trade in Services*. The United Nations Statistics Division has undertaken the task of publication of the *Manual*. The work of the Task Force will now focus on (a) developing compilation guidance, (b) promoting and facilitating the implementation of the *Manual* and (c) developing an appropriate framework for the compilation of data related to the trade-related movement of natural persons to take up short-term employment outside their country.

Publication of the *Manual*

2. The *Manual* is being jointly published by six agencies.[1] It was edited by the Division and published in English on 2 December 2002 in electronic (pdf) format, free, at http://unstats.un.org/unsd/tradeserv/manual.asp, together with translations into the other United Nations official languages of a 1999 near-final draft of the *Manual*. Other publishing agencies are posting the *Manual* on their web sites and/or linking to the Division site. The hard-copy English document is expected to be available soon for purchase from the United Nations, and full translations are under preparation although no timetable for their completion is yet available.

Meeting of the Task Force in 2002

3. The Task Force met in Dresden, Germany, on 25 and 26 June 2002. The agenda covered:

(a) Implementation of the *Manual*'s recommendations:

(i) Compilation guidance;

(ii) Web pages;

(iii) An annual report on progress;

(iv) Agency progress and plans;

(v) Technical assistance;

(b) Development work and priorities:

(i) E-commerce;

(ii) Measuring trade in software;

(iii) Revision of the *Balance of Payments Manual*;

(iv) Geo-nomenclature;

(v) Sectoral work on health, education, insurance, financial and telecommunications services.

Agreed future work

Compilation guidance

4. The Statistical Commission requested that the Task Force focus on the provision of compilation guidance. The Statistical Office of the European Communities (Eurostat) is now working to develop an outline of such a guide, to be discussed at the next Task Force meeting, to be held in April 2003. For resident-non-resident trade in services, material will be drawn from, among other sources, the International Monetary Fund (IMF) *Balance of Payments Compilation Guide*. In addition, the World Tourism Organization is working to develop a model border survey that might be used to collect data suitable both for tourism statistics and for the *travel* component of the balance of payments. The United Nations Conference on Trade and Development (UNCTAD) is developing guidance material on the compilation of foreign direct investment (FDI) and foreign affiliates trade in services statistics, a draft of which was used to train FDI statisticians of member countries of the Economic and Social Commission for Western Asia.

Other measures to promote and monitor implementation of the Manual

5. The Task Force has identified a need for technical assistance on development of statistics on international trade in services and to develop agencies' potential to provide such assistance to countries. A small first step currently being undertaken with the World Bank is the coordinated development by the Task Force of a module of training materials, which is planned for completion in spring 2003. The Task Force will also consider how to monitor progress on implementation of the *Manual*.

Temporary movement of natural persons supplying services

6. This subject area, which is one of the modes of supply of services trade covered by the General Agreement on Trade in Services, is not developed to the same level and depth of detail as some other aspects of trade in services in the *Manual*. The Task Force is investigating alternative ways to advance this work. UNCTAD, with the contribution of relevant international organizations, is engaging in pilot studies at the regional and national levels to identify issues that may need to be addressed in developing a statistical framework. Discussions are being planned with the United Nations Statistics Division on the feasibility of future adaptation of migration statistics and with IMF on reviewing the definition of residence of temporary foreign workers in the *Balance of Payments Manual* context.

Further developments

7. E-commerce and trade in software are two areas where the Task Force has identified a need for further investigation of the most appropriate statistical treatment. Countries currently classify trade in software to *goods*, *computer services*, or *royalties and license fees*. In addition, there are transactions related to the use of produced originals, in particular, to reproduce software for further sale.

Coordination issues

8. Now that the *Manual* has been published, we are entering an important period of promoting its implementation and international agencies may need to review whether they are currently allocating sufficient resources to work on statistics of

trade in services — compilation guidance, technical assistance and coordinated data collection — given the strong trade-policy related need for clearer, more detailed and more comprehensive information on such trade.

9. Regarding the proposed revision of the fifth edition of the IMF *Balance of Payments Manual* (BPM5), any proposals to make changes to the classification or definition of the services components of the BPM5 classification will need to be discussed with the Task Force since such changes will affect the classification of services that is recommended in the *Manual on Statistics of International Trade in Services*. In addition, a revision to the Central Product Classification is planned for 2007, which will need to be coordinated with any changes to the BPM5 classification of services to ensure that clearer linkages are provided between the two classifications.

Notes

[1] The European Commission, the International Monetary Fund, the Organisation for Economic Cooperation and Development, the United Nations Conference on Trade and Development, the United Nations Statistics Division and the World Trade Organization.